

**THE IMPACT OF ENTREPRENEURSHIP EDUCATION ON THE
PERFORMANCE OF SMALL, MICRO AND MEDIUM ENTERPRISES
IN THE BUFFALO CITY METROPOLITAN MUNICIPALITY**

**A DISSERTATION SUBMITTED IN FULFILMENT OF THE
REQUIREMENTS FOR THE MASTERS PROGRAMME IN
BUSINESS MANAGEMENT**

BY

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ABSTRACT

Small Micro and Medium Enterprises (SMMEs) play an important role in contributing to economic development of many countries around the world, including South Africa. Despite the importance of SMMEs an unacceptable and disappointingly high number of these ventures fail during the first few years of operation. It is in light of the importance and challenges faced by SMMEs that the performance of SMMEs is of interest to all countries. This study investigated the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality. The objectives of the study were to investigate the role of entrepreneurship education in improving entrepreneurship skills and knowledge of owner/managers of SMMEs in the Buffalo City Metropolitan Municipality, to determine the role of entrepreneurship education on the establishment and survival of SMMEs and to identify strategies that can be implemented to improve the performance of SMMEs. Both primary and secondary data sources were used in this study. A quantitative research design was used in conducting this research. Simple random sampling, a probability sampling technique was used to select a sample of 201 from the sample frame of 420 registered SMMEs. The survey method, by way of a self-administered questionnaire was used to collect primary data. The statistical Package for Social Sciences (SPSS) is the statistical software that was used to analyse data. The Chi-square test, the T-test, Pearson Product Moment Correlation and descriptive statistics were used to analyse data. Validity and reliability of the research instrument and the findings was assured. The results for this study are useful for the development of the SMME sector, which is very important to South Africa for they contribute to the solving of socio-economic challenges. The findings of this research showed that entrepreneurship education has a positive impact on the performance of SMMEs and it plays a critical role in improving entrepreneurial skills and knowledge of SMME owners and managers. It was also found that entrepreneurial education is very important for the establishment and survival of SMMEs. Strategies that can be implemented to improve the performance of SMMEs in South Africa were suggested to the government, government agencies, educational institutions, other organisations, and SMME owners and managers.

DECLARATION

I, the undersigned, **Tendai Chimucheka** student number **200705925**, hereby declare that this dissertation is my own original work and that it has not been submitted, and will not be presented at any other University for a similar or any other degree award.

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Signature

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PLAGIARISM DECLARATION

I, **Tendai Chimucheka** student number **200705925**, hereby declare that I am fully aware of the University of Fort Hare's policy on plagiarism and I have taken every precaution to comply with the regulations.

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ETHICAL CLEARANCE DECLARATION

I, **Tendai Chimucheka** student number **200705925** hereby declare that I am fully aware of the University of Fort Hare's policy on research ethics and I have taken every precaution to comply with the regulations.

.....

Signature

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I dedicate this work to:

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CHAPTER ONE
INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION AND BACKGROUND OF THE RESEARCH

“Although entrepreneurship education ranks high on policy agendas of several countries, little research is available to assess its impact” (Von Graevenitz, Harhoff & Weber, 2010:90).

According to Herrington, Kew and Kew (2009:13), Small, Micro and Medium Enterprises (SMMEs) and entrepreneurship have in recent years become a key focus of research. The SMME sector is globally regarded as the driving force in economic growth and job creation. These businesses play a major role in creating employment opportunities and wealth in economies. Central to the growth of an economy is the development of a lively SMME sector which is the solution to many societal challenges, including unemployment (Entrepreneur SA, 2005:3).

SMMEs form the backbone of South Africa’s economy, not just in terms of their contribution to the Gross Domestic Product (GDP) estimated at 39% in 2009, but also in terms of employment creation. Statistics of the year 2009 show that 74% of economically active South Africans are employed by SMMEs.

As a result of the above implications, the government of South Africa realises the importance of developing entrepreneurship and consequently, SMMEs (O’Neill & Viljoen, 2001:38). The argument of the South African government is that SMMEs offer an important vehicle to address the challenges of job creation, economic growth and equitable distribution of wealth. Unfortunately, the official estimated rate of unemployment in South Africa is 25.2% (Statistics South Africa, 2010). Fin mark Trust (2006) purports that one of the best ways to address unemployment is to improve the employment creation potential of small businesses and to promote the development of the SMME sector.

Von Broembsen, Wood and Herrington (2005:20) point out that despite the importance of SMMEs, 75% of SMMEs in South Africa fail within the first two years of operation. Fatoki and Garwe (2010:731) mention lack of education and training as one of the main reasons for the lack of entrepreneurial creation and the high failure rate of new ventures. Herrington and Wood (2003:1) maintain that it is the lack of education and training that has reduced management capacity in new firms in South Africa. Lack of financial support is the second most reported contributor to

low new firm creation and failure, after lack of education and training (Fatoki & Garwe, 2010:731).

EntreNews (2004:1) confirms that the main challenge facing different countries including South Africa, is how to motivate individuals to become entrepreneurs and how to equip them with the right skills to turn opportunities into successful ventures. Governments have introduced a range of policies to encourage educational institutions and private sector training providers to develop entrepreneurial education and training programmes. Such programmes do not only aim to develop entrepreneurial behaviours but also attempt to raise awareness of enterprise and entrepreneurship as a potential way of life and a future career (EntreNews, 2004:1).

The existing literature on entrepreneurship education reveals (among other research directions) the determinants of entrepreneurship, in order to focus entrepreneurship education and training programmes on what really matters (Dodescu and Badulescu, 2010:471). To the knowledge of the researcher, no South African study has investigated the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality in the Eastern Cape Province of South Africa. It is thus imperative that this aspect implies relevant research, especially into the problems presented by this issue.

1.2 STATEMENT OF THE PROBLEM

In South Africa an unacceptable and disappointingly high number of SMMEs fail during the first few years of operation (Nieman & Nieuwenhuizen, 2009:35), especially due to challenges faced by SMMEs. According to Fatoki and Garwe (2010:731), lack of education is one of the primary reasons for the low level of entrepreneurial activities and the high failure rate of SMMEs.

Considering the importance of SMMEs to the national economy and the high failure rate of SMMEs, it is critical to look at how challenges facing entrepreneurs and SMMEs in order to overcome mentioned challenges. Nieman and Nieuwenhuizen (2009:35) state that the largest percentage of SMMEs fails during the first two years of their existence due to cash flow problems that arise and as a result they do not manage to grow or expand.

Unemployment and poverty are economic challenges that occur in the Eastern Cape Province and South Africa at large and SMMEs could play a major role in curbing these problems. In order to achieve such goals, SMMEs need to be supported and they also should be able to access the resources necessary for survival and growth. Owners and managers of SMMEs also need to be equipped with the right skills and knowledge to be able to start businesses that survive. When above information is taken into consideration, the research at hand seeks to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

Von Graevenitz, *et al.*, (2010:90) note that entrepreneurship education is ranked high on policy agendas of several countries, but little research is available to assess its impact. While entrepreneurship education has been introduced and promoted in several countries and at many institutions of tertiary education, at this stage little is known about the impact of this entrepreneurship education (Von Graevenitz *et al.*, 2010:103). Von Graevenitz *et al.*, (2010:91), reiterate on the fact that the impact emanating from entrepreneurship education is still poorly understood. Von Graevenitz *et al.*, (2010:92) further state that while some literature has generated interesting insights, the research on entrepreneurship education still has huge gaps. This study intends to assist in closing part of this gap.

1.3 OBJECTIVES OF THE RESEARCH

The objectives of the study are divided into primary and secondary objectives.

1.3.1 Primary objective

- To investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

1.3.2 Secondary objectives

- Investigate the role of entrepreneurship education in improving entrepreneurship skills and knowledge of owner/managers of SMMEs in the Buffalo City Metropolitan Municipality.

- Determine the role of entrepreneurship education on the establishment and survival of SMMEs.
- Identify strategies that can be implemented to improve the performance of SMMEs.

1.4 HYPOTHESES

Hypotheses of the study are divided into primary and secondary hypotheses in the sections that follow.

1.4.1 Primary Hypothesis

H₀: Entrepreneurship education has no impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

H₁: Entrepreneurship education has an impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

1.4.2 Secondary Hypotheses

H₀: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers.

H₂: Entrepreneurship education improves entrepreneurship skills and knowledge of SMME owners and managers.

H₀: Entrepreneurship education does not play any role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality.

H₃: Entrepreneurship education plays a role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality.

H₀: There is no relationship between entrepreneurship education and the profitability and growth of SMMEs.

H₄: There is a relationship between entrepreneurship education and the profitability and growth of SMMEs.

1.5 SIGNIFICANCE OF THE STUDY

Isaacs, Visser, Friedrich and Brijal, (2007:613) are of the opinion that better entrepreneurship education can contribute significantly to job creation and eventually to poverty alleviation. This research intends to help in solving socio-economic challenges like unemployment and poverty that South Africans face.

Morh, Fourie and Associates, (2009:25) report that a lively debate has taken place on the question of whether entrepreneurial talent comes naturally or whether it can be obtained through education. The findings of this study should contribute to the literature on this debate.

This research is thus important for the development of the SMME sector in South Africa, particularly in the Eastern Cape Province. The findings can be used by the government, policy makers and government agencies to identify priority areas and to improve current entrepreneurship education programmes. Research results will also be useful to educational and training institutions. Assessing the impact of entrepreneurship education is also important to SMME owners and managers.

1.6 LITERATURE REVIEW

This section focuses on literature on issues concerning entrepreneurship, entrepreneurship education and relationships between variables.

1.6.1 Entrepreneurship Defined

Entrepreneurship is the process of initiating, creating and expanding the enterprise, also of building an entrepreneurial team, which involves gathering other resources to exploit an opportunity in the market place profitably (Van Aardt, Van Aardt, Bezuidenhout & Mumba, 2008:5). It is entrepreneurship that can bring other production factors into motion. Entrepreneurship has long been considered a significant factor for socio-economic growth and development because it creates job opportunities, offers customer goods and services, and generally increases national prosperity and competitiveness (Karimi, Chizari, Biemans & Mulder, 2010:35).

1.6.2 Theories of Entrepreneurship

There are different views on entrepreneurship and on what an entrepreneur is. Economists are of the view that entrepreneurs combine different resources in specific combinations to produce commodities at a profit (Du Toit, Erasmus & Strydom, 2009:41). The focus of economists is on what entrepreneurs do, and have reached a conclusion that entrepreneurs are motivated primarily by the profit motive. Behaviourists describe entrepreneurs according to their characteristics, for example their desire to achieve, their inclination towards risk taking as well as their creativity. Marxists view entrepreneurs as exploiters. Du Toit, Erasmus and Strydom (2009:41) mention that corporate managers perceive entrepreneurs as small operators who lack the potential to manage large ventures. Proponents of a market economy see entrepreneurs as the economic force responsible for economic growth (Du Toit *et al.*, 2009:41).

To explain the role of entrepreneurship in economic growth (see section 3.5), the researcher used economic theories of entrepreneurship that were mentioned by Nieman and Nieuwenhuizen (2009:5-8) and explained by Casson (1982:364-380). The theories include Leibenstein's X-efficiency theory, Hayek and Kirzner theory on the market process, the role of uncertainty by Knight and Schumpeter's theory on innovation.

Entrepreneurs and other SMME operators need to be equipped with entrepreneurship knowledge and skills. This can be done through entrepreneurship education.

1.6.3 Entrepreneurship Education

The objective of Entrepreneurship education as presented by the European Union (2002) include raising peoples' awareness of self employment as a career opportunity, promoting the development of personal qualities that are relevant to entrepreneurship such as creativity, risk taking, and responsibility, and providing the technical and business skills that are needed in order to start a venture (Isaacs *et al.*, 2007:616).

According to Isaacs *et al.*, (2007:614), entrepreneurship education is defined as the purposeful intervention by an instructor in the life of a learner, to impart entrepreneurial qualities and skills to enable the learner to survive in the business world. Alberti, Sciascia and Poli (2004:5) define entrepreneurship education as the structured and formal transmission of entrepreneurial competencies, which in other words, refers to the skills, concepts and mental awareness used by individuals during the process of starting and developing their growth oriented ventures. Alberti *et al.*, (2004:16) suggest that some output measures for entrepreneurship education that can be examined, include changes in entrepreneurial values, changes in people's orientation towards entrepreneurial careers as well as changes in personal assessment of entrepreneurial knowledge and skills.

Isaacs *et al.*, (2007:614) admit that a general agreement exists among researchers in the field of entrepreneurship that more emphasis should be placed on entrepreneurship education as opposed to business education. Business education has a more limited coverage than entrepreneurship education, which includes other topics like innovation and risk taking (Isaacs *et al.*, 2007:614). The Consortium of Entrepreneurship Education (2004:6) point out that entrepreneurship education is a lifelong learning process and consists of different stages. The stages include basics, competency awareness, creative applications, start up and growth. The following section discusses the relationship between variables.

1.6.4 Relationship between variables

Nieman and Nieuwenhuizen (2009:12) argue that successful entrepreneurship is linked to education. Tertiary education provides valuable additional entrepreneurial capacity, especially for successful entrepreneurs (Driver, Wood, Segal & Herrington, 2001:57). Higher levels of education are significantly associated with higher levels of entrepreneurial activity (Nieman & Nieuwenhuizen, 2009:31).

Charney and Libecup (2000) put forward that a there is a positive association between education and the performance of SMMEs can be found. Timmons and Spinelli (2007) are of the view that entrepreneurship can be learnt. Graevenitz *et*

al., (2010:91) mentions Peterman and Kennedy (2003) and Fayolle, Gailly and Lassas-Clerc (2006) as some of the researchers who have found a positive impact of entrepreneurship education programmes on the start up as well as the performance of SMMEs.

Fatoki and Odeyemi (2010:2768) suggest that for SMMEs to get the required funding from trade creditors, they must ensure that they have the highest education possible as well as related experience which can improve their managerial competency.

Isaacs *et al.*, (2007:613) suggest that better entrepreneurship education could make a significant contribution to job creation and ultimately poverty alleviation. They also purport that a shortage of entrepreneurs can be a major factor limiting economic development in South Africa. The key to success of establishing a culture of entrepreneurship in any nation is education, which depends on all the stakeholders, including the government, educators and learners themselves (Isaacs *et al.*, 2007:614). Isaacs *et al.*, (2007:617) points out that it is commonly believed that entrepreneurship education is an absolute imperative that would make a positive contribution to improving the entrepreneurial orientation of people.

Nieman (2001:2) states that entrepreneurship education should be directed to prepare individuals who can be change agents in the next decade. Segal, Borgia, and Schoenfeld, (2005) shows that the promotion of entrepreneurship in higher education institutions is more likely to increase entrepreneurial self-efficacy and self-employment. It is important to discuss how firm performance can be measured. Measures of performance are discussed below.

1.6.5 Measures of Performance

Wiklund (1999) in Barreira (2004:26) argues that there is no consensus on appropriate measures of SMMEs performance, and prior research focused on variables for which information was easy to gather. Barreira, (2004:26) accepts that it is possible to regard growth and financial performance as different measures of performance, each revealing unique and important information. Financial performance and growth together provide a richer description of the

actual performance of an enterprise than each does individually (Barreira, 2004:27).

The issues discussed above imply that a certain methodology should be followed in order to look into the problems stated.

1.7 RESEARCH DESIGN AND METHODOLOGY

The research design and methodology is discussed below.

1.7.1 Research Design and Plan

Research design is a preliminary plan for conducting research (Cant, Gerber-Nel, Nel & Kotze, 2005:46). According to Cooper and Schindler (2006:192), research design is the plan and structure of investigation so that can be followed to obtain answers to research questions. Cooper and Schindler (2006:71) point out that a research design provides the 'glue' that holds a research project together. It includes an outline of what the investigator will do from writing hypotheses and their operational implications to the final analysis of data. It is research design that aids the researcher in the allocation of resources by posing crucial choices in methodology.

There are three basic types of research designs that are used in conducting primary research namely; qualitative, quantitative and a combination of the two which is referred to as triangulation. This study makes use of the quantitative method due to the reasons stated in the next section.

- **Quantitative research**

This study used quantitative research design only. Quantitative research design was described by Ghauri and Gronhaug (2005:120) as studies whose findings are mainly the product of statistical summary and analysis.

According to Cooper and Schindler (2006:198), quantitative research involves the systematic and scientific collection of primary data to investigate quantitative properties and phenomena and their relationship with the intention of projecting the results to a wider population. The objective of such research is to generalise

about a specific population based on the results of a representative sample of that population. Quantitative research places a heavy emphasis on the use of structured questionnaires (Hair, Wolfinbarger, Ortinau & Bush, 2008:78). Quantitative research methods deal with problems that are specific and well defined. This therefore means the researcher needs to have precise information needs such as testing the relationships of variables. In this study, the researcher tested the relationship between entrepreneurship education and the performance of SMMEs.

1.7.2 Population

Proctor (2000:88) defined population as the total group of people or elements about which information is needed. SMMEs in King Williams Town and East London were the target population of this research. The database (with 420 SMMEs) was available at Eastern Cape Development Corporation (ECDC) which made it easy for the researcher to conduct the study in this area. The population is composed of SMMEs in the trading, construction, manufacturing and service industries. It is also because the research is conducted on a limited budget that the researcher did not focus on all SMMEs in the Eastern Cape Province. The researcher chose to focus on SMMEs in East London and King Williams Town because of their close proximity to the University of Fort Hare.

1.7.3 Sampling

A sample is a representation of the elements of the target population (Zikmund & Babin, 2010:695). Cooper and Schindler (2003:52) mention that the basic idea of sampling, is that by selecting the elements in a population, conclusions can be drawn about the entire population. Bryman and Bell (2003:199) report that there are two major types of sampling design. These are probability and non-probability sampling. This study used the probability sampling method, which is discussed below.

1.7.3.1 Probability sampling method

Probability sampling is a controlled procedure that assures that each population element is given a known non-zero chance of selection (Bryman & Bell, 2003:199).

According to Proctor (2000:91), probability sampling means that the elements being included in the research have a known chance of being selected. A probability sample allows a sampling error to be estimated (Proctor, 2000:91). A sampling error can be defined as the difference between the sample value and the true value of the population being surveyed. Probability samples are the only kind of samples from which the researcher can statistically estimate the likely amount of sampling error (Roberts-Lombard, 2002:111).

The probability sampling method allows the researcher to make inferences from information about a random sample to the population from which it is selected (Bryman & Bell, 2003:199) and this implies that the findings can be generalised to the whole population. With a probability sampling method, there is confidence that the sample is representative of the whole population. This is not the same in cases where the non-probability sampling method is used. If non-probability sampling method is used, there is a possibility of bias in selection of population elements due to human judgement. This kind of bias was eliminated through the use of probability sampling.

There are four basic types of probability sampling techniques. These are systematic sampling, stratified sampling, cluster sampling and simple random sampling (Cooper & Schindler, 2003:52). This study made use of the simple random sampling technique which is given attention to below.

1.7.3.2 Simple random sampling

The researcher used the simple random sampling technique which is a probability sampling technique in which each element has a known and equal chance of selection. Under the simple random sampling method, the probability of selection will be equal to the sample size divided by the population size (Cooper & Schindler, 2006:414). According to Cooper and Schindler (2006:414), simple random sampling is the purest form of probability sampling. Simple random sampling is simple to apply, in that a random sample is chosen from a population without any order. Furthermore, data analysis is reasonably easy and has a sound mathematical basis. Since this is a quantitative study, simple random sampling was most appropriate.

1.7.3.3 Sample size

To determine the sample size the researcher used the Raosoft sample size calculator. The Raosoft sample size calculator is statistical software that enables researchers to determine the sample size given the margin of error, confidence level, response distribution and population size. In calculating the researcher used 95% confidence level, a response distribution of 50% and a margin of error of 5%. The population size as obtained from ECDC is 420 SMMEs. The Raosoft sample size calculator gave a recommended sample size of 201 respondents.

1.7.4 Data Collection Instrument, Sources and Procedures

Both primary data and secondary data were used in conducting this research. Secondary data is information gathered for purposes other than the completion of a particular research project. Textbooks, organisational websites and peer reviewed journal articles are secondary sources of data that were mostly be used to gather information. On the other hand, primary research involves collecting data for a specific problem at hand (Cooper & Schindler, 2006:34). Primary data is data collected for the very first time while secondary data is that which already exists. Gerber-Nel, Nel and Kotze (2005:101) identified three primary data collection methods namely observation, experiment and survey. Although the survey is not the only methodology of quantitative research, Cooper and Schindler (2006:198) mention that it is the one that dominates. This study used the survey method to collect primary data from respondents.

1.7.4.1 Survey method

Cant, Gerber-Nel, Nel and Kotze (2005:89) reveal that surveys are used to collect primary data from respondents *via* mail, telephone or in person. Survey research allowed the researcher to interact with respondents to obtain facts, opinions and even their attitudes.

The researcher used the survey method by way of a self-administered questionnaire. These are research questionnaires personally delivered to the respondent but are completed by the respondent with no interviewer involvement (Cooper & Schindler, 2006:717). The researcher chose to use self-administered

questionnaires because they ensure anonymity and privacy of respondents thereby encouraging honest responses. They also proved to have a higher response rate than other data gathering techniques like mail surveys, and they are less expensive than other methods where the researcher must be with respondents at all times like personal interviews (Cooper & Schindler, 2006:256). Both open-ended and closed-ended questions were used in this research. Dichotomous questions, multiple choice and scaled questions were used to make it easy for respondents to complete the questionnaires. For purposes of validity and reliability, the questionnaire was pre-tested before it was used for the actual research.

1.7.5 Data Analysis Procedure

Data was validated, edited, coded, entered and cleaned before analysis was done. According to Cant *et al.*, (2005:150), the above mentioned steps are very crucial before data is analysed. This study used Statistical Package for Social Sciences (SPSS) as the statistical software for data analysis. SPSS is software for performing statistical procedures in the social sciences field. (Coakes, 2005:65).

Data analysis was done using chi-square, Pearson product moment correlation, non-parametric chi-squared one-variable test and descriptive statistics. The Chi-square test for independence was used to test for association while cross tabulation was used to determine the distribution of respondents. Further data analysis for this study included descriptive statistics which makes use of tables, graphs and percentages.

1.8 ETHICAL CONSIDERATIONS

Ethics can be defined as the body of moral principles or values governing or distinctive of a particular organisation (Cant, 2008:11). The morals and principles state rules, norms, and acceptable and unacceptable behaviour governing individuals in a particular society. Ethics deal with the development of moral standards that can be applied to situations in which there can be actual or potential harm to an individual or a group. They are of particular concern to research practitioners because their profession is based on consumer or public cooperation (Roberts-Lombard, 2002:19).

Researchers have some general obligations to people who provide data in research studies. The parties involved in the research have obligations to maintain professionalism and to pertain to commonly accepted standards of right and wrong behaviour. Ignorance of ethical considerations and professionalism normally reduces the level of cooperation of respondents therefore affecting the quality of the research.

According to Tustin, Ligthelm, Martins and Van Wyk (2005:46), their obligations include the obligation not to harm, force or deceive participants. Participants should be willing and need to be informed. The data that respondents provide must be held in utmost confidentiality.

Ethics were crucial for the successful accomplishment of this research work. The researcher performed his duties observing his obligations as a researcher. Cant *et al.*, (2005: 11) stated the general ethical obligations which the researcher abide to. This include not deceiving participants, avoiding misidentification of the researcher, communicating the purpose of the research to the respondents and seeking consent of the respondents.

This helped to reduce research errors that could have risen because other people who were supposed to be part of the research would have refused to participate. Offending questions were not asked in the questionnaire.

1.9 LIMITATIONS OF THE STUDY

This study was limited to SMMEs registered in the Buffalo City Metropolitan Municipality. Only SMMEs registered with ECDC participated in this research. There was also a literacy problem because some SMME owners and managers were not able to read and write. Some (5.47%) respondents did not complete and return the questionnaires while others (6.47%) did not complete questionnaires but they returned them. These questionnaires are included in the total for sample loss shown in table 6.1. Since this study was limited to one municipality, it is difficult to generalise the findings to the whole of South Africa.

1.10 OUTLINE OF PROPOSED RESEARCH REPORT

The report for this study is outlined in the following chapters:

1.10.1 Chapter one: Introduction and background to the study

Chapter one is based on the background to the problem as well as the objectives, hypothesis and the significance of the study. It provides an introductory perspective of the study.

1.10.2 Chapter two: Overview and performance of SMMEs

This chapter focuses on the overview of SMMEs. SMMEs are analysed in terms of their challenges as well as contribution and their importance to the economy of South Africa. The focus is on the literature surrounding performance of SMMEs and how SMME performance can be measured. Different models of entrepreneurial performance are also discussed.

1.10.3 Chapter three: Entrepreneurship, economic growth and entrepreneurship theories

This chapter examines the role of entrepreneurship in economic growth. Economic theories of entrepreneurship are discussed. Different perspectives to entrepreneurship are also given attention to.

1.10.4 Chapter four: Entrepreneurship education

This chapter consists of entrepreneurship education. The benefits, objectives, measures and the challenges to entrepreneurship education are discussed. Different target audiences of entrepreneurship education and the relevance of entrepreneurship education is also covered in this chapter. Institutions that support SMMEs and entrepreneurship education in the Eastern Cape Province of South Africa are discussed. The impact of entrepreneurship education on performance of SMMEs and the role of government in improving SMME performance are also discussed.

1.10.5 Chapter five: Research methodology

This chapter concentrates on the methodology used in conducting the empirical research. It examines the research design, the type of research used, the population, the sample design as well as the data collection and analysis methods.

1.10.6 Chapter six: Data analysis and presentation of results

This chapter deals with the analysis and interpretation of the results. The chapter tabulates the results from the analysis and exploration of data.

1.10.7 Chapter seven: Conclusions and recommendations

This chapter revisits the research problem, the objectives and the hypotheses of the research. The chapter also discusses the conclusions and recommendations of the study. In addition, the limitations of the research are highlighted and areas for further research are suggested.

1.11 CHAPTER SUMMARY

This chapter gave an insight on the importance of the SMME sector to economic growth, employment creation and social stability of South Africa. The chapter also highlighted the role that entrepreneurship education can play to curb some of the socio-economic challenges faced by South Africans today. The objectives, problem statement, ethical considerations and outline of the research report are some of the key elements covered in this introductory chapter. The chapter that follows (Chapter 2) covers the overview and performance of SMMEs.

CHAPTER TWO

OVERVIEW AND PERFORMANCE OF SMMES IN SOUTH AFRICA

2.1 INTRODUCTION

SMMEs in South Africa continue to contribute positively to the economy of the nation. According to South Africa Info (2005), SMMEs in South Africa have come to play an increasingly important role in the South African economy and development, especially now that large enterprises have restructured and down-sized. The government has therefore targeted the SMME sector as an economic empowerment vehicle for previously disadvantaged people.

This chapter gives an overview of SMMEs in South Africa, together with their contribution and importance. SMMEs are defined in the South African context and their performance is also looked at. The challenges faced by SMMEs and resource needs of SMMEs are also discussed.

2.2 OVERVIEW OF SMMEs IN SOUTH AFRICA

Post apartheid South Africa faces socio-economic problems that need urgent attention, similar to those in other developing countries. The challenges include a very high unemployment rate, skills shortages, high illiteracy rate, an ever escalating crime rate and rural poverty. Chalera (2007:9) observes that these challenges are more prevalent in rural communities. SMMEs should be empowered to be able to help solve some of these challenges in South Africa.

South African SMMEs are diversified and operate in different industries, including retailing, wholesaling, tourism, mining, farming, manufacturing, construction and service. Similar to SMMEs in other developing countries, SMMEs in South Africa also face challenges that affect their growth and survival.

When the substantial contribution of SMMEs is considered in South Africa, it is imperative that they should receive much attention. The South African government however does acknowledge the importance of a strong and vibrant SMME sector. This is demonstrated in its commitment to the promotion and the support for SMMEs that aim at increasing the number of new enterprises and creating an enabling environment to ensure their survival and growth. The government hopes to achieve such goals through the National Small Business Act of 1996.

The National Small Business Act 102 of 1996 provides the regulatory and support framework for SMMEs. This defines an SMME as a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more, which includes its branches or subsidiaries, if any, and is predominantly carried out in any sector or subsector of the economy.

The guidelines appearing in the National Small Business Act 102 of 1996 ascertain that SMMEs can be defined in both qualitative and quantitative terms. Nieman and Pretorius (2004:3) mention the qualitative criteria, which also relate to the ownership structure that can be used to define SMMEs. The mentioned qualitative criteria stipulate that SMMEs should be separate and distinct business entities, cannot be part of a group of companies, must include subsidiaries and branches when determining its size, should be managed by its owners, and can be a natural person in the form of a sole trader or partnership. It can also be a legal person such as a close corporation or a company.

The Act also classifies business ventures into very small, micro, medium and small sizes using quantitative criteria (Nieman & Pretorius, 2004:4). Total full-time paid employees, total annual turnover and the gross asset value are the quantitative criteria that are set in terms of the standard classification by industry in the Act.

Cronje *et al.*, (2001:492) identified the characteristics observable among SMMEs. The characteristics are that:

- SMMEs are generally more labour intensive than larger businesses;
- on average, SMMEs generate more job opportunities per unit of invested capital;
- they are an instrument for utilising the talents, energy and entrepreneurship of individuals who cannot reach their full potential in larger organisations;
- SMMEs often flourish by rendering services to a small or restricted market which larger businesses do not find attractive;
- they are also breeding grounds for entrepreneurial talent and the testing ground for new industries;
- SMMEs contribute to the competitiveness of the economy; and

- SMMEs create social stability, cause less damage to the physical environment than large factories, stimulate personal savings, increase prosperity in rural areas and enhance the population's general level of economic participation.

SMMEs are also characterised by their small size. In pricing, they are usually followers, whilst ingenuity, creativity and devotion are typical characteristics of SMMEs (Cronje *et al.*, 2001:492). Because of their size, SMMEs are most suited for rural communities where the markets are too small to justify the existence of large businesses (Dzansi, 2004: 33).

Agupusi (2007:1) reports that since 1994, South Africa has been promoting small business as an engine for economic growth and socio-economic integration. More recently, due to the growth of unemployment, there has been a renewed focus on the promotion of SMMEs. This is from both the government and the private sector. They are not simply focusing on SMMEs as an engine for growth, but more importantly as the key to job creation and poverty reduction, especially among historically disadvantaged groups.

Chalera (2007:1) states that the South African government established institutions and programmes designed to improve the access of the SMME sector to critical resources. The major resources include finance, infrastructure, training and counselling, information, markets and technology.

A call for efforts to strengthen the SMMEs' associations and chambers as well as efforts to improve the legislative and regulatory environment for the small, medium and micro business sector is being heard.

SMMEs are expected to function as a driving force, both in South Africa's social and economic transition. This will however be possible if they are supported by the supply side measures, targeting enterprise's constraints.

Kesper (2000) suggests that only the few, more dynamic SMMEs in South Africa show a potential to contribute to rapid employment creation, while survivalist activities constitute the vast majority of the South African SMME economy. He also argued that South African SMMEs grow in numbers, not in size.

2.3 CONTRIBUTION AND IMPORTANCE OF SMMEs

It can be argued that most entrepreneurial activity takes place in SMMEs. Nieman and Nieuwenhuizen (2009:3), confirm that SMMEs form 97% of all businesses in South Africa, generating 35% of the Gross Domestic Product.

Nieman and Nieuwenhuizen (2009:276) are of the view that SMME development was identified by the new South African government as a priority in creating jobs to solve the high unemployment rate in the country. Nieman and Nieuwenhuizen (2009:276) makes it clear that the promotion of entrepreneurship and small business development was seen by the new South African government in 1994 as a way of addressing the following generic developmental goals in the country, which are:

- **Job or employment creation**

With the formal sector to absorb the high and growing number of job seekers in the country, there has been an increased attention paid to entrepreneurship, mainly because of the potential that it possesses in contributing to significant economic growth and employment creation.

- **Poverty alleviation**

Poverty occurs throughout the whole world. It is only the level of poverty that varies. Research indicates that poverty is significantly higher in developing countries than in developed countries. The government of South Africa HAS identified SMMEs as a key to poverty alleviation. SMMEs combine the resources of societies efficiently to produce goods and services for the society in which they operate (Du Toit *et al.*, 2009:49).

- **Equity and participation**

The South African government's strategy has been focusing primarily on the development of SMMEs in previously disadvantaged communities. Previously disadvantaged communities have been described as those sections of the

population that had been disadvantaged by apartheid and segregationist development policies before 1994. It is SMMEs that commonly provide economic and employment opportunities to the general members of the community. Income inequality between population groups in South Africa is still believed to be high and SMMEs are expected to help reduce this problem.

- **Social stability**

The government recognises the importance of developing a strong SMME sector. It is internationally accepted and acknowledged that the SMME sector is an essential factor in promoting and achieving economic growth and development, as well as in the widespread creation of wealth and employment (Nieman & Nieuwenhuizen, 2009:276).

- **Economic growth and development**

SMMEs are often the vehicle by which the people who earn the lowest income in the South African society gain access to economic opportunities. Central to the growth of the economy, is the development of a vibrant SMME sector, which development experts agree, is the key to resolving many societal challenges, including job creation (Entrepreneur SA, 2005:3).

Estimates in the year 2009 show that SMMEs contribute more than 35% of South Africa's Gross Domestic Product and employ close to three quarters of the nation's employed population. Comparative studies of large and small businesses carried out in other countries, confirm that SMMEs generally employ more labour per unit of capital, and require less capital per unit of output, than large businesses (Luiz, 2002:16).

Antonites (2003:9) points out that the SMME sector provides employment, pays taxes and can be included in the government statistics and in labour market information analyses. SMMEs also act as training grounds by offering apprenticeships for the youth.

SMMEs can also contribute largely to the sustainable development of South Africa in areas of economic growth, employment generation, poverty alleviation and

community development. They also enable people to meet their basic needs and thus survive. Through job creation, SMMEs are able to help raise the standard of living for South African citizens.

2.3.1 Contribution of SMMEs to sustainable development

The World Business Council for Sustainable Development (2004) advises that improving the performance of SMMEs is one of the key drivers of sustainable development through contribution to economic growth, poverty alleviation, employment generation, crime reduction and community development.

2.3.2 Contribution of SMMEs to economic growth

The World Business Council for Sustainable Development (2004) points out that the key to poverty alleviation is economic growth that is inclusive and reaches the majority of the people. Wealth creation, one of the core competencies of the private sector, plays a vital role in the poverty alleviation process. Thus, it should be attempted to improve the performance and sustainability of local entrepreneurs and SMMEs because they play a major role in helping to achieve sustainable growth. According to the National Small Business Act (2003), SMMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development. Small firms are also a crucial source of innovation in the development of new products, services and technologies. The Accelerated and Shared Growth Initiative South Africa (ASGISA) indicates that a growth rate of 5% on the average between 2004 and 2014 is needed to achieve the social objective of the government and it is expected that SMMEs could contribute significantly to the expected growth rate.

2.3.3 Contribution of SMMEs to employment

Du Toit *et al.*, (2009:50) noted that SMMEs are able to provide jobs needed by the growing population. They argued that SMMEs create jobs whereas large corporations are shedding off or retrenching.

Kesper, (2001:172) agrees that SMMEs are seen as a vehicle to address the problem of high unemployment levels in South Africa, since they have a high

labour absorptive capacity. It is known that SMMEs employ a significant number of South Africans and that they contribute 43% of the total value of salaries and wages paid in South Africa (Nieman & Nieuwenhuizen, 2009:3). According to Nieman and Nieuwenhuizen (2009:3), SMMEs employ 55% of all formal private sector employees in South Africa. Year 2009 estimates show that a staggering 74% of South Africans active in the economy are employed in SMMEs (The Business Place, 2009:1). This shows that SMMEs play a major role in reducing the problem of high unemployment rates that is faced in many of the African countries.

2.3.4 Other contributions of SMMEs

Besides the already mentioned issues of job creation, economic growth and development, and an increase in GDP, other potential benefits directly accruing to local governments because of the activities of the SMME sector, include the empowerment of local citizens, competition among the developing businesses in tandem with the positive benefits of quality by the suppliers as well as a broader base and choice for the consumer. It also includes a reduction in crime rates, since instead of being idle, citizens are productively engaged (Yanta, 2001:44).

- **Competition**

SMMEs compete against large producers and improve the nature of the competitive environment leading to quality products and services in the economy (Du Toit *et al.*, 2009:50). They also compete against one another which is of benefit to customers in terms of quality and price.

- **Aiding big firms**

Some functions can be performed more efficiently and effectively by SMMEs than larger firms. This therefore means that SMMEs can contribute to the success of large firms. It is thus possible that SMMEs can perform the distribution and supply function for large firms (Du Toit *et al.*, 2009:50). SMMEs, such as wholesale and retail outlets, perform a valuable service for big firms by distributing its products to customers. They can also function as suppliers to, and sub-contractors for large firms. Where large firms agree to a long term relationship with SMMEs, the latter

can supply a specified level of quality goods, offer lower prices, thereby generating cost-saving ideas.

2.4 CHALLENGES FACED BY SMMEs IN SOUTH AFRICA

Although the SMME sector in South Africa has received much attention from the government, they still face challenges. Nieman and Nieuwenhuizen (2009:35) identified some challenges that are faced by SMMEs in South Africa. The challenges include lack of training and education, limited access to financial resources, inaccessibility to markets, lack of support structures, inaccessibility to appropriate technology and lack of access to other resources like human resources. The challenges are discussed in the sections that follow.

2.4.1 Lack of training and education

In South Africa, lack of education is seen as one of the most significant barriers to entrepreneurial activity (Nieman & Nieuwenhuizen, 2009:31). They also noted that education is positively related to entrepreneurial activity.

Lack of management skills by SMME owners and managers can be attributed to lack of education and training. Education and training help develop management competencies which are necessary for the success of the enterprise. Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2008:98), defines managerial competencies as sets of knowledge, skills, behaviours and attitudes that can contribute to personal effectiveness. Management competencies are very crucial for the survival and also for the growth of a business venture. Herrington and Wood (2003) point out that in South Africa, it is lack of education and training that has reduced management capacity in SMMEs. Lack of education and training is one of the reasons why there is a very high failure rate of SMMEs (especially the newly established) and low level of entrepreneurial creation.

2.4.2 Limited access to financial resources

All businesses require finances to start trading and also to fund growth. Fatoki and Garwe (2010:731) provide evidence that lack of financial resources is the second most reported contributor to failure of SMMEs, after education and training in South Africa. Foxcroft, Wood, Kew, Herrington and Segal, (2002), shows that 75%

of applications for bank loans by SMMEs are often rejected in South Africa. FinMark (2006) found that only 2% of new SMMEs in South Africa are able to access finances. SMMEs often find it difficult to access bank finances, mainly because they lack collateral security, the required bank deposit or a credit record. Poor presentation of business plans is also another reason for failure to access bank finances by SMMEs in South Africa.

2.4.3 Inaccessibility of markets

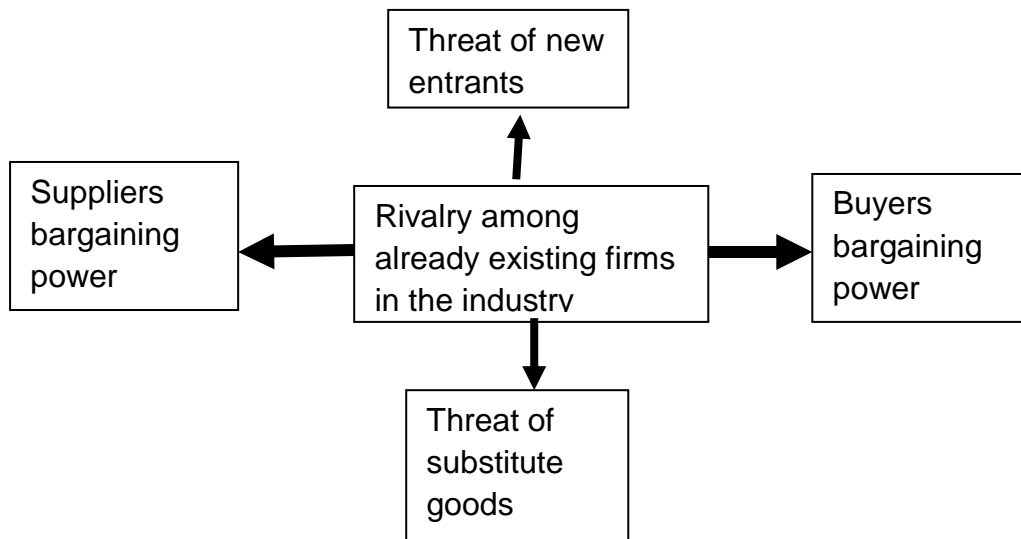
In order to survive and to achieve success, SMME owners and managers need to understand the dynamics of competition in their industry and develop skills and also competencies that will give them a competitive advantage. To understand the market dynamics, operators of SMMEs need to scan and interpret environmental changes, mainly the extent of current and future competition. This will help them to maintain their firm's viability, as well as performance.

The extent of competition and potential competition affects the market potential and growth opportunities of SMMEs. Although the intensity of competition among firms varies widely across industries (David, 2007:86). Failure of some SMMEs to access markets, can be attributed to industry competition, which is determined by what was explained by Michael Porter as the five competitive forces (Du Toit *et al.*, 2009:101).

According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of the five forces (David, 2007:87). Firms or organisations in any industry are directly affected by at least five competitive forces (Hellrigel, 2008:98). These five competitive forces are rivalry among competitors, threats of new entrants, threats of substitute commodities, customers and suppliers bargaining power. These are also known as the Porter's five forces.

The Porter's five forces model illustrate the competitive forces, thus the sources of competition in any industry. Porter's five forces model is illustrated in figure 2.1 on the next page.

Figure 2.1: Competitive Forces Model



Source: Adapted from Hellrigiel et al., (2008:98)

The sources of competition appearing in figure 2.1 are discussed in the sections that follow.

- **Rivalry among competitors**

Figure 2.1 illustrates that rivals or competitors are a force faced by almost every business today. Rivalry among competing firms is usually the most powerful of the five mentioned forces (David, 2007:88). David (2007:88) noted that the intensity of rivalry among competing firms tends to increase as the number of competitors increases, as competitors become more equal, as the demand of industry's commodities declines and as price cutting becomes common. Rivalry among competitors can also increase when customers can easily switch brands, when exit barriers are high and when the fixed costs are high.

Competitors are arguably the most important element of the micro-environment when it is contemplated on from a strategic viewpoint. Rivalry among competitors produces strategies like price cutting, advertising promotions, enhanced customer services and improvements in service or product quality (Hellrigiel *et al.*, 2008:98). Competitors often use these strategies to improve their relative industry or market positions or to respond to others' actions.

As rivalry intensifies, industry profits decline and the industry becomes unattractive (David, 2007:88). SMMEs usually find it difficult to fight competition with well established larger businesses. Larger businesses cut prices as a calculated strategy to remove other businesses from the industry.

- **Threats of new entrants**

The threat of increased competition in an industry depends on how easy new firms can compete with already existing ones (McGee, Thomas & Wilson, 2005:150). In industries where there are no barriers to entry, competition will usually be severe. David (2007:88) mentioned that despite the barriers to entry, new firms can enter industries with high quality products, lower prices and market resources. Large and existing firms usually take advantage of barriers to entry in the industry and block new SMMEs from competing. It is important to note that whenever a new firm enters a particular market or industry, the intensity of competition will increase (David, 2007:88).

- **Threats of substitute commodities**

All competitors produce substitute commodities (Hellrigiel *et al.*, 2008:99). The introduction of substitute products in the market by another firm can affect the demand of already existing commodities that serve the same purpose. With the extent of competition today, new products are always introduced into the market.

- **Customers' bargaining power**

Customers always try to force prices down, obtain more and higher quality products, and increase competition among sellers (McGee *et al.*, 2005:151). Customers' bargaining power is usually higher when there are many suppliers and fewer buyers.

- **Suppliers' bargaining power**

The bargaining power of suppliers control the extent to which they can raise prices above their costs (make profits), or at least reduce the quality of commodities they provide before losing customers (Hellrigiel *et al.*, 2008:99; McGee *et al.*, 2005:151)

The combined force of all these five forces can affect the long term profitability of the business and calls for the owners and management to carefully monitor and diagnose each one of them, as well as their combined effect before making decisions. Van Aardt *et al.*, (2008:55) explain that a mistake that an entrepreneur should never make, is to assume that there is no competitor for a product or service that he or she offers. It is argued that the analysis and understanding of competitors is essential for the development of strategies to fight competition.

2.4.4 Lack of support structures

Most SMME owners and managers believe that they do not get enough support from the government. This may be as a result of lack of information on the available organisations that are established and available to assist them. Most SMMEs in South Africa are not aware of government efforts that are in place to assist them (Maas & Herrington, 2006).

2.4.5 Inaccessibility of appropriate technology

Investment in technology and keeping up with information technology is becoming increasingly important to everyone and to all businesses today. Technology plays a very crucial role in the development of businesses. It helps a business to maximise business opportunities and is perceived to be important if a business is to improve on its sales.

It is very important to note that the use of technology involves costs, because of the fact that computer hardware needs to be bought and software will need to be installed. It is beyond doubt that SMMEs without access to finance will find it difficult to access modern technology.

2.4.6 Lack of access to other resources such as human resources

For SMMEs to perform well and to sustain growth, they need to access a pool of qualified, skilled and motivated employees. Considering the difficulties in accessing finance faced by SMMEs, it is difficult and expensive for them to hire skilled labour. Fatoki and Garwe (2010:732) highlight that labour can only be hired at a cost and within the confines of labour regulations, such as the Employment and Minimum Wage Regulations. The quality of infrastructure can also affect the

growth prospects of SMMEs. This is a challenge in most developing countries, and South Africa is no exception. It is shown that many developing countries still suffer from deplorable state of infrastructure such as telecommunication, electricity and transportation.

It is thus shown that challenges faced by SMMEs, can have a negative effect on their performance. Performance of SMMEs is discussed in the following section.

2.5 PERFORMANCE OF SMMEs

The performance of SMMEs is of interest to all countries (Olutunla & Obamuyi, 2008:195). This is mainly because of the critical role played by these businesses in the economic development of any country. The performance of an organisation or business enterprise relates to the efficiency and effectiveness with which it carries out the tasks in the process of providing products and services (Naude, 2007:3).

Barreira (2004:26) admits that there is no consensus on appropriate measures of SMME performance, and prior research had focused on variables for which information was easy to gather. It has also been argued that growth is a more accurate and easily accessible performance indicator than any other accounting measures and hence superior to indicators of financial performance (Barreira, 2004: 26).

SMME performance is indicated by changes in profits, growth in sales and also employment (Olutunla & Obamuyi, 2008:198). Olutunla and Obamuyi (2008:198) are of the view that improved SMME performance ensures higher profits, higher growth in sales and employment and wealth maximisation of the owners.

Barreira (2004:26) points out that performance is multidimensional in nature and that it is advantageous to integrate different dimensions of performance in empirical studies. In Barreira's view (2004:26), it is possible to regard financial performance and growth as different aspects of performance, each revealing important and unique information. Taken as a unit of meaning, growth and financial performance give a richer description of the actual performance of the

firm than each does separately (Barreira, 2004:27), but each receives attention as a separate unit in the sections that follow.

2.5.1 Growth

In the culture of a business, growth is 'written' as the main characteristic of success (Nieman & Nieuwenhuizen, 2009:275). It is growth that brings the promise of expansion, greater profitability, new enterprises, increase in personnel and the power to attract more highly developed people or create general increase in resources. There are different definitions of business growth and also various ways of measuring it (Fatoki & Garwe, 2010:731). Fatoki and Garwe (2010:731) highlighted that business growth is typically measured and defined using relative or absolute changes in assets, productivity, profits, profit margins, employment and sales.

Barreira (2004:27) points out that it is accepted that four indicators of growth can be utilised to measure SMME performance. These indicators are sales growth, employment growth, sales growth compared to competitors and market value growth compared to competitors, which receive attention below.

- **Sales growth**

The growth process can be driven by increased demand for SMMEs' commodities. It may also be very difficult for growth in other dimensions to occur without increasing sales. According to Barreira (2004:29), it is arguable that SMMEs can increase their sales without employing more staff or acquiring more resources and outsourcing can increase sales without increasing the employment level or the amount of resources.

Sales growth reflects both short-term and long-term changes in the business enterprise. It is also easy to obtain sales figures and changes in sales volumes. Sales growth is considered the most common performance measure by most entrepreneurs (Barreira, 2004:29). According to Fatoki and Garwe (2010:731), sales data is usually readily available and SMME operators attach high value to sales as one of the indicators of SMME performance.

- **Employment growth**

There has been significant interest in the creation of new employment opportunities in South Africa through the development of the SMME sector and also entrepreneurship. Barreira (2004:27) is of the opinion that in the process of rationalisation, it may be possible to replace employees with capital investments because SMMEs are expected to grow and in the process, employ more people. Employee satisfaction and owner satisfaction are also indicators of success (Van Scheers, 2011:5050).

- **Comparison of firms**

When assessing performance of SMMEs, comparisons of firms in the same industry and market can help reveal important additional information. Such measures or comparisons can give information on whether SMMEs simply conform to contemporary market trends or whether they show growth patterns that deviate substantially from their industry in general (Barreira, 2004:28).

- **Market value growth compared to competitors**

A growing customer base is a sure sign that an SMME is effectively reaching target markets (Van Scheers, 2011:5050). Barreira (2004:29) argues that the market value captures the real value of the firm better than other measures (accounting measures) like net worth and assets. To calculate market value, one needs to divide gross profits by current year sales (to get the gross profit margin). This is a better performance measure, mainly because it does not consider the size of an enterprise.

2.5.2 SMME growth as a defining feature

Growth is a defining feature of an entrepreneurial business. It refers to an increase in a specific parameter during a specific term or time period (Nieman & Nieuwenhuizen, 2009:278). Growth must be an objective and a strategy for the venture, and it needs to be managed. Nieman and Nieuwenhuizen (2009:278) support the view that growth and performance are generally seen as substitutes

for each other. It is a growing firm that is usually considered to be successful and performing well.

2.5.3 Characteristics of growing firms

Nieman and Nieuwenhuizen (2009:278) identified market domination, differentiation, product leadership, flexibility, innovation, orientation towards the future, export activity and related growth as characteristics of growing SMMEs, which are:

- Market domination occurs in niche markets and is measured in terms of their relative market share in the niche market. The ability to dominate markets is one of the main factors that can separate firms that are performing well from those that are not. Successful firms appear to have clearly demarcated market segments that they dominate.
- Differentiation makes firms different and unique from their competitors. This can be in the form of products, distribution or even geography. Ventures that are performing well will always want to be different (or they want their products to be different from those of competitors) in the market so that they can easily be recognised by customers.
- According to Nieman and Nieuwenhuizen (2009:279), successful firms and most growing firms are product oriented. They emphasise on quality, as well as branding and value for customers. Growing and successful firms are also characterised by superior performance and a competitive edge that is gained through the introduction of new products and customer service (Nieman & Nieuwenhuizen, 2009:279). This can be described as product leadership.
- Flexibility refers to the speed and ability to change direction to gain advantage from new opportunities and also to counter threats. Growing firms should be able to change their position in the market and/or their competitive strategy so as to meet the demands of their customers.
- Innovation can be described as doing things differently and better. This is common in growing firms as they continue to seek new and cost effective ways of doing work. Growing firms are also inclined to invest in their future. Investing in the future can include spending resources on marketing, research and development and also capacity building. Growing firms engage in export

activities. They do this in order to increase their market size, to increase sales and also to compete globally. Nieman and Pretorius (2004:6) noted that growing firms thrive on innovation. Innovation can be in the form of technology, a new product or a new way of production.

2.5.4 Success factors of growth

The critical success factors for growth as identified by Vinturella (1999:248) include market intelligence, strategic leadership, clarity of purpose, internal infrastructure and strategic planning. The success factors highlighted are briefly discussed in the next sections.

- Market intelligence refers to the ability of SMMEs to perceive and adapt to changes in the marketplace.
- Strategic leadership is the ability to provide clear direction, to delegate, to make decisions and to make long-term plans.
- Clarity of purpose and direction refers to a detailed vision of the business in the future.
- Internal infrastructure includes the ability to support the business's strategies through its internal operations and firm's structures.
- Strategic planning are specific action steps to achieve the firm's long-term goals.

Now that measures or indicators of growth have been discussed, it is also important to outline and discuss measures of financial performance. These are discussed in the following section.

2.5.5 Financial measures of performance

Brewer (2010:18) illustrates that financial performance measurement is about measuring what is happening inside a business by making use of financial information. Financial information used for financial performance measurement can be sourced by means of financial statements and various ratio analyses (Brewer, 2010:18).

According to Olutunla and Obamuyi (2008:198), the use of profitability to measure performance is in line with the assumptions of profit maximisation and utility maximisation. These assumptions are the cornerstones of many economic theories. Van Scheers (2011:5050) admits that profitability is the first aspect taken into consideration when measuring the success of SMMEs.

Olutunla and Obamuyi (2008:198) argue that for profit maximising firms, a strategy to maintain a high level of profitability requires that the firms must produce quality products that can easily be sold to achieve more revenue, especially through effective and efficient marketing strategies.

To achieve the full potential of sales, the product life cycle needs to be considered and the entrepreneurs must maximise the profitability during the growth stage (Olutunla and Obamuyi, 2008:199)

Brewer (2010:61) highlighted financial measures that can be used to measure SMME business activities. The activities are measured by means of accounting include profitability, creditors, stock control, business goals achieved and business sustainability.

It is also important to look critically at the growth of SMMEs. Entrepreneurial ventures set growth as an objective. The following section discusses growth as an objective of SMMEs.

2.6 GROWTH AS AN OBJECTIVE OF SMMEs

Growth is a function of the vision and foresight of entrepreneurs and is also a defining feature of entrepreneurship (Rwigema & Venter, 2004:436). It is the potential for growth that distinguishes an entrepreneurial venture from an ordinary small business (Nieman & Pretorius, 2004:31; Nieman & Nieuwenhuizen, 2009:277). The lack of an entrepreneurial mindset, which constantly seeks growth and innovation, might subconsciously be the major barrier to growth experienced by many SMMEs (Nieman & Nieuwenhuizen, 2009:276). The need to grow a business can be attributed to the entrepreneurs' need for achievement, power or/and personal wealth (Nieman & Nieuwenhuizen, 2009:276). Nieman and Pretorius

(2004:31) highlight that it is important to consider resources and risk when planning to grow a business.

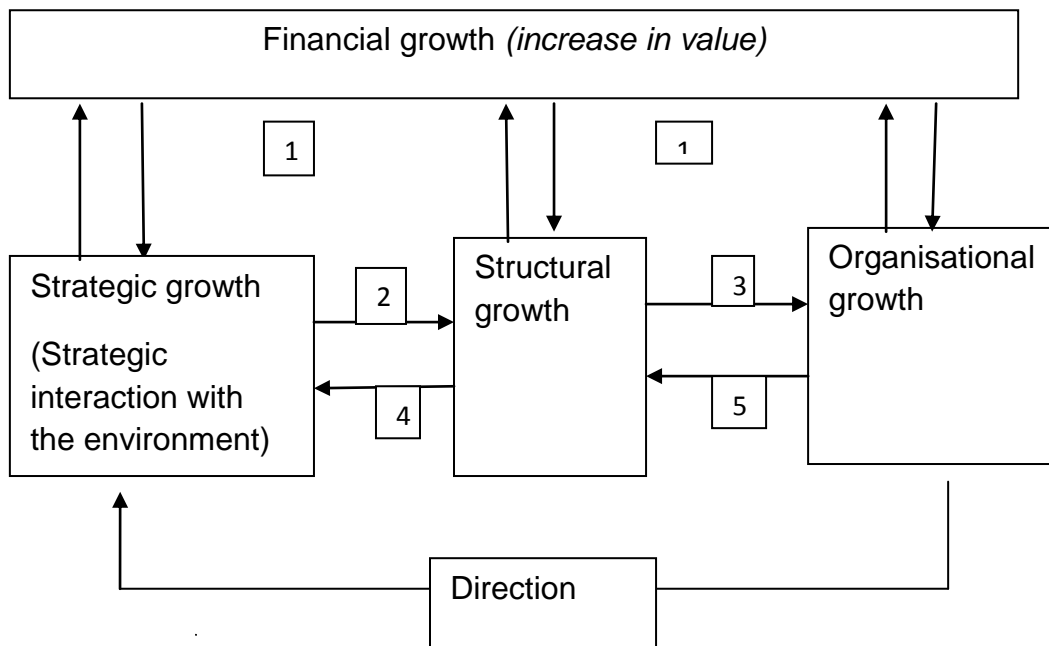
According to Nieman and Nieuwenhuizen (2009:277) and Nieman and Pretorius (2004:31), it is important that SMMEs develop a strategy (long term plan) and objectives for achieving growth. Strategies can be focusing on external growth, internal growth or a combination of the two. When setting growth targets, one needs to confirm that the expansion strategy is in line with the capabilities of the firm. This means that growth targets need to take into account the resources that the SMME is able to attract (Nieman & Nieuwenhuizen, 2009:277; Nieman & Pretorius, 2004:31).

Growth can be defined in terms of increased sales, increased income or any other quantifiable goal (Nieman & Pretorius, 2004:31). Nieman and Nieuwenhuizen (2009:277) advise that each action plan must clearly stipulate the resources that will be required to achieve certain goals. The resources include assets, people and capital. Capital may be the main source of growth but is not useful in itself. It must be converted into productive assets (Nieman & Pretorius, 2004:31). Growth requires proper planning, organisation, direction and control activities. It needs to be managed carefully.

2.6.1 The process of growth

Rwigema and Venter (2004:437) describe growth as a dynamic process with an impact on every function of the business. Nieman and Nieuwenhuizen (2009:280) and Wickham (in Rwigema and Venter, 2004:437) identified four growth perspectives or types namely, financial, strategic, structural and organisational growth. These types of growth are dependent on each other, hence an entrepreneur cannot view growth from one dimensional perspective. An entrepreneur has to consider these perspectives when planning for growth (Nieman & Nieuwenhuizen, 2009:280; Rwigema & Venter, 2004:437). Nieman and Nieuwenhuizen (2009:280) advise that failure to attend to one, while favouring another, could result in failure or a managerial crisis. Figure 2.2 on the next page shows the dynamics of growth, as well as how the types of growth relate to each other.

Figure 2.2: Dynamics of growth



Key:

1: Resources performance; **2:** Asset accumulation; **3:** Use of assets; **4:** Executes; **5:** Supports.

Source: Adapted from Nieman & Nieuwenhuizen, 2009:280

Figure 2.2 illustrates the different perspectives of growth. These perspectives are briefly discussed below.

- **Financial growth**

This relates to the development of the venture as a commercial entity. Nieman and Nieuwenhuizen (2009:280) agree that quantitative measures are generally used as norms to determine growth. Financial growth measures the additional value that will have been created by the business venture. Financial growth is considered as a very important measurement of performance or success of a business. It is financial measurements that stakeholders of a business use to assess the performance of a business.

Rwigema and Venter (2004:438) mentioned that all businesses must grow in terms of assets, level of investment, turnover, necessary cost and also profitability.

Ways in which financial growth can be expressed, include an increase in turnover or sales, increases in profits, increase in total sales, increase in return on investment and an increase in any other performance measure. It is financial growth that ultimately affect (give rise to) the economic value of the business (Rwigema & Venter, 2004:438).

- **Strategic growth**

This refers to changes in which a business interacts with its environment (Rwigema & Venter, 2004:437). It is concerned with the way in which the enterprise develops capabilities to exploit opportunities in the marketplace. Nieman and Nieuwenhuizen (2009:281) stress the need for firms to adapt and change their strategies as they develop and grow. Strategic growth can take the form of a firm entering new markets, wielding more influence, and facing new different constraints (Rwigema & Venter, 2004:437).

- **Structural growth**

Structural growth relates to the changes in the way the venture organises its internal systems, managerial roles and reporting procedures, communication ways and also their resource control systems.

Rwigema and Venter (2004:438) are of the view that growth can be represented by enhanced systems' capacity and there is a need for the entrepreneur to continuously revise the systems of the business, including the organisational hierarchy.

- **Organisational growth**

Organisational growth relates to the changes that take place in the organisation's processes, culture and attitudes as it grows and develops. This includes changes in the entrepreneur's role and leadership style as the business grows. Rwigema and Venter (2004:438) reveal that organisational growth refers to the improvement in processes, learning, knowledge and beliefs in the organisation.

Growth gives rise to firm performance which can be explained using models of entrepreneurial performance. The models of performance are discussed in the sections that follow.

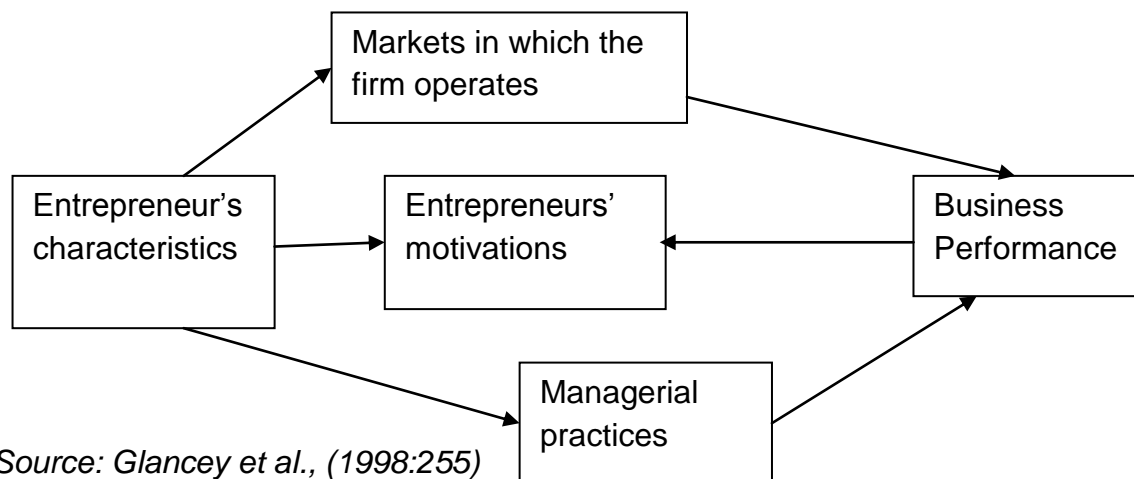
2.7 MODELS OF ENTREPRENEURIAL PERFORMANCE

In entrepreneurship and small business research, a firm's performance is considered to be the ultimate criterion of success or failure (Man, Lau & Chan, 2002:125). Kunene (2008:57) states that both empirical studies and theoretical models use performance to determine success or failure of SMMEs. Performance models of different authors are discussed below. Due to the fact that the theoretical framework which includes models of entrepreneurial performance were formulated in periods of time in the past, this study also made use of references older than 10 years. Groundbreaking research, especially theories that were developed more than 10 years ago were cited in this study.

2.7.1 The Glancey, Greig and Pettigrew model

Glancey, Greig and Pettigrew, (1998:255) outlined a model for SMMEs performance. In this model, personal characteristics of the entrepreneur determine the motivations and objectives that direct the firm's performance. Glancey *et al.*, (1998:255) argue that performance is mediated through the markets in which the entrepreneur operates and the managerial practices which he/ she employs. The model is illustrated in figure 2.3 below.

Figure 2.3: Glancey, Greig and Pettigrew model of business performance



The model of Glancey *et al.*, (1998) in figure 2.3 on the previous page, can also be represented in a mathematical form, where an increase in performance is indicated as a mathematical formula, which is:

Increase in performance = G (Traits, Motivation, Management) * h (Market).

Another model of entrepreneurial performance was developed by Van Vuuren and Nieman. The model is discussed below.

2.6.2 Van Vuuren and Nieman model of Entrepreneurial Performance

Van Vuuren and Nieman (1999:1) developed what is referred to as a three dimensional model. In this model, entrepreneurial performance is a multiplicative function of motivation and entrepreneurial skills and business skills. The model is shown as a mathematical formula below.

EP = aM * b E/S * c B/S.

Each aspect of the Van Vuuren and Nieman model is explained separately below.

- **EP = Entrepreneurial Performance.**

This is based on the starting up of a business, utilising the opportunity in the market and growth of the business idea.

- **M = Motivation**

Motivation is seen as the entrepreneur's need for achievement. In the opinion of Kunene (2008:58), motivation would include inner control, leadership, persistence, decisiveness, sheer guts, determination, achievement imagery, ability to inspire, ability to get help, ability to overcome obstacles and also the reactions to failure or success.

- **E/S = Entrepreneurial skills**

Entrepreneurial skills include the ability to turn business ideas into feasible opportunities, to start and to grow an enterprise. Entrepreneurial skills include risk taking, creativity, innovation and the ability to interpret successful entrepreneurial role models and identification of market opportunities.

- **B/S = Business Skills**

Business skills include the ability to formulate business plans and marketing, human resources, financial, communication, legal, operational and operational plans. Business skills also mean the ability to carry out managerial functions effectively. The management functions include planning, organising, directing, supervising, Evaluating and/or controlling.

- **a, b and c = constant coefficients**

These are non-zero coefficients that depict the already existing levels of the skills that entrepreneurs have.

Since the mathematical equation in this model (Van Vuuren and Nieman) has multiplicative constructs, the absence of any of the elements (for example motivation, entrepreneurial skills or business skills) will not lead to any increase in entrepreneurial performance. This also means that any increase in the capacity of any of these skills can as well lead to an increase in the performance of an entrepreneur.

From the Van Vuuren and Nieman model, one can note that entrepreneurship education is very important in developing and improving entrepreneurship skills, business skills and also to motivate individuals to become entrepreneurs.

Another model of entrepreneurial performance was developed by Wickham in 2001. The Wickham model is discussed below.

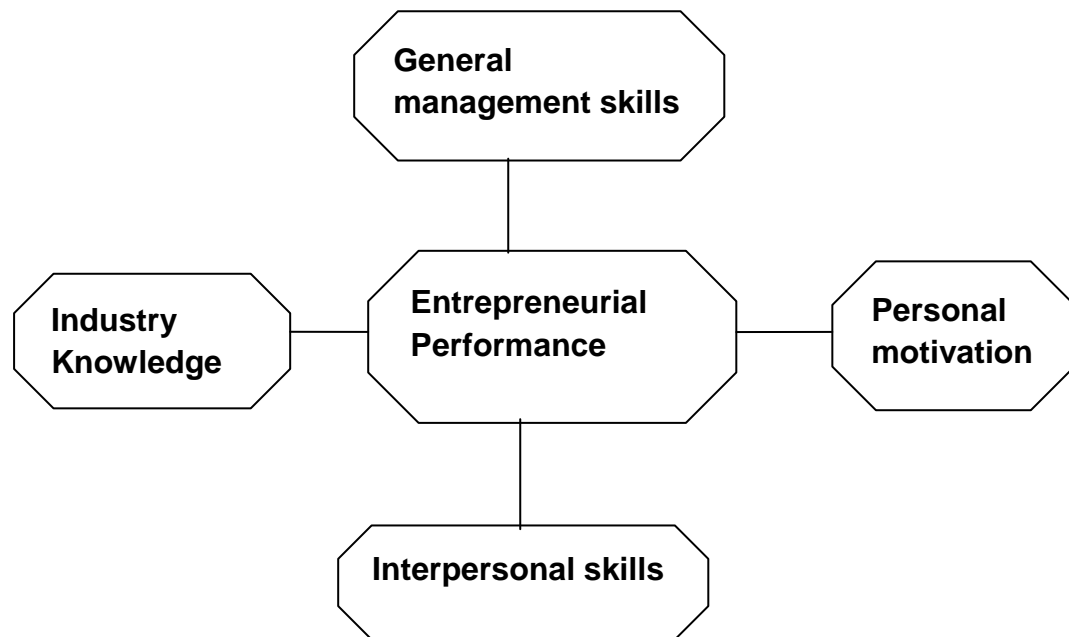
2.7.3 Wickham's model of entrepreneurial performance

According to Wickham (2001:55), entrepreneurial performance result from a combination of industry knowledge, general management skills, people skills and personal motivation. Wickham's model can also be presented in a mathematical form as:

Performance = W (Industry, Management, Interpersonal, Motivation)

The model is also illustrated in figure 2.4 on the next page.

Figure 2.4: Wickham's model of entrepreneurial performance



Source: Wickham (2001:55)

From the model in figure 2.4, it can be learnt that lack of each element can affect entrepreneurial performance. Management knowledge, interpersonal skills, motivation and knowledge of the industry are crucial for the success of the firm.

Ucbasaran, Westhead and Wright (2004), again, emphasised the need for skills for the success of an entrepreneurial venture. Their model is discussed below.

2.7.4 Ucbasaran, Westhead and Wright model

Ucbasaran, Westhead and Wright (2004:440) identified three distinct capabilities that are necessary for an entrepreneur to be successful. These include:

- the entrepreneurial role which assists with business development;
- the managerial role which assists with functional needs, including human resources management, finance, marketing and planning; and
- the technical role which is needed for functioning and producing the products.

Thus, the model of Ucbasaran, Westhead and Wright can be presented in a mathematical form as:

Success = U (Entrepreneurship skills, Business skills, Technical skills)

Ucbasaran *et al.*, (2004:440) illustrate that entrepreneurial skills, business skills and technical skills are important for the success of an enterprise. Owners/managers need to seek education and training to develop these skills.

2.7.5 Darroch and Clover Model

Darroch and Clover (2005:325) described SMME performance as a function of preference for self employment, motivation, entrepreneurship skills and business skills. These factors need to be moderated by background and external firm level factors. The model can also be presented in a mathematical form as:

Success = D (Motivation, Entrepreneurship skills, Business skills)

This shows how entrepreneurship and business skills are important for the success of any business. Below is another model, the Perks and Stuwig model which shows how important management, personal, technical and business skills are for the success of a business.

2.7.6 Perks and Stuwig Model

Perks and Stuwig (2005:173) identified four categories of skills that are needed to ensure entrepreneurial success. The categories of skills are technical, personal, business operations and management skills. Their model can be presented in a mathematical form as:

Success = P (Management, Personal, Technical, Business Skills)

Concluding the discussion of above six models of entrepreneurial performance, it is essential to review the main points involved in these models.

2.7.7 Summary of models

According to Kunene (2008:61), the Van Vuuren and Nieman (1999) model identified most of the skills categories that are included by the other authors.

Entrepreneurship skills are crucial for the success of SMMEs as shown by most of these models of entrepreneurial performance. Also important are business skills, management skills, technical skills, interpersonal skills and motivation. Industry knowledge also plays a role in improving entrepreneurial performance as shown by the Wickham's model.

Having discussed the factors that affect the performance of firms, it is also crucial that the resources that are needed for businesses also receives attention.

2.8 RESOURCE REQUIREMENTS OF SMMEs

Mutezo (2005:6) noted that SMMEs require support if they are to grow and survive. Resources include anything that a business owner or operator need and use to pursue a business opportunity. They can be defined as inputs that the business combines to create the outputs that it delivers to customers (Du Toit *et al.*, 2009:53). Resources can be money that is invested in the business, the people who contribute their efforts, knowledge and skills and also the physical assets. Nieman and Nieuwenhuizen (2009:126); Rwigema and Venter (2004:185), Co, Groenewald, Van Zyl, Visser, Train and Emanuel (2006:157), Du Toit *et al.*, (2009:53) and Van Aardt *et al.*, (2008:56) identified resources that are needed in a business. These resources can be classified in four broad categories, namely human resources, information resources, physical resources and financial resources and are discussed below.

2.8.1 Human resources

These include all people and their efforts, skills, knowledge and insights that they contribute to the overall performance of the business venture. Human resources include all the personnel who are indirectly and directly involved in the manufacturing, rendering a service or selling commodities (Van Aardt *et al.*, 2008:56).

To improve their human resource efforts, entrepreneurs also need to provide training and education to staff. There is also a need to motivate employees so as to encourage high performance. This is supported by Rwigema and Venter

(2004:56) who noted that human capital grows out of education and training, innovation, emotional intelligence, wisdom and other skills.

2.8.2 Financial resources

Any resource that take the form of, or that can easily be converted into cash can be termed a financial resource (Van Aardt *et al.*, 2008:56). Financial resources are very important in any business and to any business owner or operator. It is financial resources that are used to acquire other resources in a business (Rwigema & Venter, 2004:185; Van Aardt *et al.*, 2008:56).

Entrepreneurs need to determine the nature of financial resource needs and investigate proper means to obtain the necessary financial resources. Different sources of financial resources exist, but they can simply be classified into two broad categories, which are debt and equity. These two broad categories have their own advantages and disadvantages that the entrepreneurs need to be aware of in order to deal with these issues.

These financial resources can be in the form of start-up capital, long-term or short-term loans, trade credit, start-up grants and investments by owners or shareholders (Van Aardt *et al.*, 2008:7). Financial resources need to be carefully managed, because poorly managed cash flow has been identified as one of the main causes of SMME failure.

2.8.3 Physical resources

Van Aardt *et al.*, (2008:56) refer to physical resources as operating resources. They include physical assets such as buildings and equipment. Physical resources also include raw materials that could be used to create the products and services of a business. General supplies used in the operation of the business can also be considered as physical resources. In short, physical resources refer to the facilities which allow people to do their jobs (Van Aardt *et al.*, 2008:56).

2.8.4 Information resources

Nieman and Nieuwenhuizen (2009:128) are of the view that without information, entrepreneurs will not be able to make appropriate decisions. Information sources

can be internal (within the business) or external (outside the business). Both internal and external sources are very important to entrepreneurs for they will allow them to develop well informed strategies to fight competition as well as to improve performance of their ventures.

Information resources also include computer technology, the Internet and e-mail as well as patents (Van Aardt *et al.*, 2008:56). These can be a source of competitive advantage for they are unique to the organisation (Rwigema & Venter, 2004:186).

2.9 CHAPTER SUMMARY

This chapter focused on the overview and performance of SMMEs. Attention was also given to growth and financial measures of performance. Resource requirements, challenges faced by SMMEs and their contribution were discussed. Models of entrepreneurial performance were also discussed in this chapter. In the next chapter, entrepreneurship, economic growth and theories of economic growth are discussed.

CHAPTER THREE

ENTREPRENEURSHIP, ECONOMIC GROWTH AND ENTREPRENEURSHIP THEORIES

3.1 INTRODUCTION

“The process of creative destruction, in which entrepreneurs create new ideas and new businesses that make existing ones obsolete, is a sign of a vibrant economy” (Zimmerer & Scarborough, 2008:5).

This chapter originates from the literature on the overview and performance of SMMEs. In this chapter, the role of entrepreneurship in economic growth receives attention. Theories of entrepreneurship are used to link entrepreneurship to economic growth. Entrepreneurial ventures are also differentiated from ordinary small businesses, and entrepreneurship as a discipline is explained in a way that shows how it differs from management in general.

3.2 ENTREPRENEURSHIP

Richard Cantillon developed one of the early theories of entrepreneurship in 1725 focused on the individual involved in an enterprise. He defined the entrepreneur as an individual who assumes risk, by buying at a certain price and selling at an uncertain price. At the time of the industrial revolution (1830), Jean Baptiste Say expanded the definition of an entrepreneur to include the possession of managerial skills. Say believed that an entrepreneur was able to coordinate and combine the factors of production. Later on, Joseph Schumpeter (1883-1950) also made a contribution to the discussion on entrepreneurship. Schumpeter introduced the concepts of new combinations which involve a change in product or process that existed for as long as the introduction of new combination of inputs was under way. Resultantly, Schumpeter described an entrepreneur as an innovator.

In modern times, an entrepreneur can be defined as a person who sees an opportunity in the market, gathers resources, establishes and grows a business towards the satisfaction of the needs of the market (Nieman & Pretorius, 2004:4). According to Nieman (2001:58), an entrepreneur usually endures the risks of the venture, and reaps his/her reward which is profit attained if the business succeeds.

An entrepreneur is also regarded as an economic agent who is able to perceive market opportunities and assembles the needed factors of production in order to

exploit specific opportunities (Van Aardt *et al.*, 2008:4). Such entrepreneurs are people who are considered to be heroes of free enterprise for they grow businesses through innovation and creativity (Van Aardt *et al.*, 2008:5). It is a verity that all entrepreneurs want their businesses to grow (Nieman and Pretorius, 2004:4).

According to Zimmerer and Scarborough (2008:5), “an entrepreneur is a person who creates a new business in the face of risk and uncertainty for the purpose of achieving growth and profit by identifying significant opportunities and assembling the necessary resources to capitalise on them”. It can thus be accepted that entrepreneurs do not only come up with ideas, they act on them.

Entrepreneurs also possess particular characteristics that set them apart from ordinary people (Nieuwenhuizen, 2004:40) This however does not mean that they have the same characteristics. Van Aardt *et al.*, (2008:9) and Nieman and Nieuwenhuizen (2009:32); identified that such individuals have a desire to achieve, they are hard workers who nurture quality, are excellence oriented, money oriented, accepting responsibility, reward oriented, optimistic, good organisers and are passionate about business. Other characteristics include locus of control, creativity and innovation, determination and persistence, need for independence, need for achievement and risk taking.

Longenecker, Moore, Petty and Palich (2006:16) also identified commitment and determination, leadership, opportunity obsession, tolerance of risk, creativity, self reliance and adaptability, and motivation to excel as other characteristics of entrepreneurs. It is thus obvious that these characteristics can be developed and improved through entrepreneurship education (Botha, Nieman & Van Vuuren, 2006:2).

3.2.1 Entrepreneurship defined

Van Aardt *et al.*, (2008) define entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organisation, as well as building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long term growth. Timmons and Spinelli (2007) suggest that entrepreneurship is a way of thinking, reasoning and acting which is opportunity

obsessed, holistic in approach, and leadership balanced. Rwigema and Venter (2004:6) propose entrepreneurship to be the process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment.

Burger *et al.*, (2005:80), and Zimmerer and Scarborough, (2008:5) mention that entrepreneurship can be defined as the creation of new businesses in conditions of risk and uncertainty in order to make a profit. Entrepreneurship can be described as the result of a systematic and disciplined process of applying innovation and creativity to opportunities and needs in the market (Zimmerer and Scarborough, 2008:44). According to above authors, it involves the application of focused strategies to new ideas and new insights to create a product or a service that can either satisfy people's needs or solve their problems.

It also comes to light that growth of businesses is a defining feature of entrepreneurial ventures (Nieman & Pretorius, 2004:4; Rwigema & Venter, 2004:5). Also important as defining features of entrepreneurship are risk taking and innovation. It is evident from the multitude of definitions, that entrepreneurship involves people who engage in some type of behaviour.

3.2.2 Entrepreneurs versus small business owners

It is very important to distinguish between entrepreneurial ventures and ordinary small businesses. According to Nieman and Pretorius (2004:4), ordinary small businesses are not dominant in their fields and they rarely engage in any innovative or new practices. On the other hand, entrepreneurial ventures can be described as those businesses that have profitability and growth set as principal objectives.

Key distinguishing characteristics between entrepreneurial ventures and small businesses include innovation, potential for growth, and strategic objectives, which are discussed on the next page.

- **Innovation**

Zimmerer and Scarborough (2008:43) define innovation as the ability to apply creative solutions to problems and opportunities to enhance the lives of people. In this case, creativity is described as the ability to develop new ideas and to discover new ways of looking at opportunities and problems. Entrepreneurial ventures thrive on innovation, meaning that this concept can refer to technological innovation, a new product or a new way of producing it, of offering a service, of marketing, distributing or structuring and managing the organisation (Nieman & Pretorius, 2004:6). In contrast, many small businesses are usually involved only in delivering an established product or service.

- **Potential for growth**

Due to their innovative approach, an entrepreneurial business has more potential for growth than a small business. Entrepreneurial ventures are not limited to existing markets; they can create their own markets (Nieman & Pretorius, 2004:6). The small business on the other hand, operates in an established industry and is unique only in terms of its locality, only operating within a specific market.

- **Strategic objectives**

Nieman and Pretorius (2004:6) state that entrepreneurial ventures usually set strategic objectives in relation to growth targets, market segmentation, market share and market position. Small businesses do not really care about the stated objectives. The objectives of a small business rarely go beyond survival, profit and sales targets (Nieman & Pretorius, 2004:6), which can be seen as a management aspect.

3.2.3 Entrepreneurship and management

Although not all entrepreneurs are good managers or leaders, management and leadership skills are important success factors for entrepreneurs. The same can be said also to managers that they are not necessarily entrepreneurs, or even entrepreneurially oriented (Nieman & Nieuwenhuizen, 2009:13).

There are differences between entrepreneurial and managerial functions, as well as the expertise and competence required by each individual (Nieman & Nieuwenhuizen, 2009:13). Entrepreneurial functions include the following among others:

- innovative thinking and the identification of opportunities;
- planning and establishment and /or growth of the business; and
- application of resources.

The management functions on the other hand include planning, organising, leading and controlling.

The entrepreneur also has to manage the various business functions such as finance, marketing, production, purchasing, administration, human resources and public relations. Entrepreneurs often have the ability to identify opportunities and establish the business. They also need some education or training to be able to manage their businesses successfully.

It is important to note that to be effective, entrepreneurs need to possess the skills of both the entrepreneur and of the professional manager (Van Aardt *et al.*, 2008:8). The table below shows the important success factors as identified by Nieman and Nieuwenhuizen (2009) for both entrepreneurs and managers.

Table 3.1: Success factors of entrepreneurs and managers

| Success factors of entrepreneurs | Managerial success factors |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • creativity and innovation; • risk orientation; • leadership; • good human relations; • positive attitude • perseverance • commitment | <ul style="list-style-type: none"> • planning; • knowledge of competitors; • mainly market oriented; • client service; • high quality work enjoys priority; • financial insight and management; • knowledge and skills with regards to the business; and • the use of experts |

Source: Adapted from Nieman and Nieuwenhuizen (2009:14-19)

The difference of these success factors entails that entrepreneurs do it themselves and they work to achieve their goals, whereas managers work to achieve the objectives of others (such as shareholders) and they need expertise to do so.

3.2.4 The role of entrepreneurs

It can be said that entrepreneurship is the spark that brings other factors of production into motion (Du Toit *et al.*, 2009:43). It is very important to note that entrepreneurship is mobilised by confidence, skills, creativity and expectations of individuals. According to Du Toit *et al.*, (2009:43), it is people with entrepreneurial skills and talents and knowledge that are able to achieve more than others, especially when it comes to mobilising productive resources and starting enterprises that have the potential to grow. These people with entrepreneurial skills and knowledge are rare and valuable to the society.

Jennings (1994:37) mentioned six functional roles of the entrepreneur in economic thought. He identified the functional roles of the entrepreneur and the contributing theorist. The table below shows the functional roles of the entrepreneurs as described by Jennings.

Table 3.2: The functional roles of the entrepreneur

| Functional role | Theorist |
|-----------------|-------------------|
| Speculator | Richard Cantillon |
| Coordinator | Jean-Baptiste Say |
| Product owner | Frederick Hawler |
| Innovator | Joseph Schumpeter |
| Decision maker | Frank Knight |
| Arbitrator | Israel Kirzner |

Source: Barreira *et al.*, 2008:66

From table 3.2 on the previous page, it can be noted that the roles of entrepreneurs as speculators, coordinators of resources, product owners, arbitrators, innovators as well as decision makers. These roles can be seen as complementing one another and individuals need to be equipped with the necessary skills in order to be able to carry out these roles effectively.

Besides stipulating the functional roles of entrepreneurs, Jennings (1994:63) also described entrepreneurial functions as described by early economists. Table 3.3 shows the summary of entrepreneurial functions.

Table 3.3: Entrepreneurial functions

| Economist | Concept of entrepreneurial function |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Francis Edgeworth | Being a coordinator and middleman who never disappears, even in general equilibrium. |
| Alfred Marshall | Being a business leader and head of the firm-innovating, coordinating, responding to profit signals, and bearing risk. |
| Frederick Hawley | Being an owner or enterpriser who makes decisions regarding what product or service is to be produced and is also the bearer of uncertainty. |
| John Bates Clark | Not being an uncertainty bearer but an arbitrageur who shifts resources toward their most profitable uses |
| Irving Fisher | Being a bearer of uncertainty who reduces the randomness of uncertainty by making forecasts and deciding what to do based on subjective speculation. His role as a profit receiver makes him an important and distinct economic agent. |
| Frank Knight | Being a decision maker in an uncertain environment. In that role he determines consumer's wants and secures various services and materials to produce the product or service. Profits received are not for dealing with uncertainty-based differences between the anticipated value of resource services and their actual value. |
| Joseph Schumpeter | Being an innovator who carries out new combinations of economic development, which are new goods, a new method of production, new markets, new sources of raw materials, or a new organisational form. |

Source: Jennings, 1994:63

The description in table 3.3, details the functions of the entrepreneur in an uncertain environment. According to Barreira *et al.*, (2008:68), the entrepreneur develops from a bearer of uncertainty, to an arbitrageur who was described by Investopedia (2011) as a type of an investor who attempts to profit from price inefficiencies in the market by making simultaneous trades that offset each other and capturing risk-free profits. An entrepreneur further develops to be a speculator, and finally an innovator as described in Schumpeter's theory which is explained in section 3.5.

In South Africa, entrepreneurs play a critical role in creating employment, providing goods and services and also aiding large firms. They also contribute to the Gross Domestic Product (GDP) of South Africa. Most entrepreneurs operate SMMEs in South Africa. SMMEs form 97,5% of all businesses in South Africa, employ around 55% of all formal private sector employees, and generate 35% of the GDP (Du Toit *et al.*, 2009:43).

According to Ekpe (2011:287) entrepreneurs play certain roles so as to complement the government's efforts in the development of the SMME sector. The roles of entrepreneurs identified by Ekpe (2011:287) include making good business decisions, having the right motive, making an effort to acquire appropriate education, training, business experience, skills, innovation, market information and also social networks. Fulfilling the above mentioned roles adequately, it should surely contribute towards the success of such entrepreneurial ventures and ultimately contribute towards economic growth.

3.3 ENTREPRENEURSHIP AND ECONOMIC GROWTH

It is voiced that entrepreneurship plays an important role in economic processes, but its study has been marginalised through the dominance of neo-classical economics, which has all but assumed the entrepreneur out of existence (Barreira, Dhliwayo, Luiz, Naude & Urban, 2008:63).

It is accepted everywhere in the world that entrepreneurship is one of the most important solutions, not only to low economic growth, but also to unemployment and poverty (Botha, Nieman & Van Vuuren, 2006:2; Ekpe, 2011:287). According to Nieman and Pretorius (2004:4), entrepreneurial ventures create employment and

economic growth for any nation. The creation of new ventures and the growth of existing businesses are vital contributing factors to any economy (Botha, Nieman & Van Vuuren, 2006:2).

Entrepreneurial firms also create important spill-overs that affect regional employment rates in the long term, there is diverse empirical evidence showing the impact of entrepreneurship on economic growth (Barreira, 2008:63-71).

Subsequently, entrepreneurship education is one way of enhancing entrepreneurial activity (Botha, Nieman & Van Vuuren, 2006:2).

3.4 TURNING SKILLS INTO OPPORTUNITIES

Entrepreneurial attributes such as the motive for venturing into business, obtaining business and innovative skills, having educational and networking ability, are also vital elements to consider in entrepreneurial success that can contribute to economic growth (Ekpe, 2011:288), which means that these entrepreneurial skills need to be developed if the entrepreneurs are to be successful. It is important to note that entrepreneurial skills are not inherited and unchangeable as traditional thought may lead us to believe. Research has proved that people can still change certain characteristics of entrepreneurs which were previously regarded as genetic (Nieuwenhuizen, 2004:48).

When assessing themselves, entrepreneurs need to do a self-introspection and self-evaluation to be able to establish their personal strengths and weaknesses. Individual strengths can then be positively applied towards the success of the business, while the weaknesses could be addressed through entrepreneurship education.

Although it has been noted that skills differ, an entrepreneur must be committed to developing both entrepreneurship and management skills (Nieuwenhuizen, 2004:38). This is mainly because both entrepreneurial and managerial skills are crucial for SMME success. It can thus be taken that entrepreneurial skills are related to the personal and interpersonal competencies of people and are generally expressed in their behaviour. Management skills on the other hand are

an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business.

According to Nieuwenhuizen (2004:49), it is important to take note that developing entrepreneurial skills alone while neglecting business skills, will not ensure optimal results. It is a combination of both entrepreneurial skills and business training in entrepreneurship education that will be most effective in developing and preparing successful entrepreneurs.

3.5 THEORIES OF ENTREPRENEURSHIP

Different views exist on what exactly entrepreneurship or an entrepreneur is. Economists subscribe to the view that entrepreneurs combine different resources in specific combinations to generate products and services at a profit (Du Toit *et al.*, 2009:41). Their focus is on what entrepreneurs do, and to them, are people who are driven primarily by the profit motive. Behaviourists describe entrepreneurs according to their characteristics, for example their achievement orientation, their propensity towards creativity and risk taking. Marxists regard entrepreneurs as exploiters. According to Du Toit *et al.*, (2009), corporate managers see entrepreneurs as small operators who lack the potential to manage a large enterprise. Proponents of a market economy see entrepreneurs as the economic force responsible for the prosperity of a country (Du Toit *et al.*, 2009:41).

There are different schools of thought to entrepreneurship theories. However, to explain the role of entrepreneurship in economic growth, the researcher uses economic theories of entrepreneurship. The theories to be used include Leibenstein's X-efficiency theory, the Hayek and Kirzner theory on the market process, the Knight on the role of uncertainty and Schumpeter's theory on innovation.

3.5.1 Leibenstein's X-efficiency (1978)

Leibenstein's theory describes essential characteristics of the environment in which the entrepreneur operates (Casson, 1982:364). According to Leibenstein, in the world of the entrepreneur, it is inefficiency which is the normal state of affairs.

X-efficiency is defined as the degree of efficiency maintained by individuals and firms under conditions of imperfect completion (Investopedia, 2011) X-efficiency arises either because the firm's resources are used in a wrong way or because they are wasted. Leibenstein regarded entrepreneurship as a creative response to X-efficiency. He also believed that individuals have different attitudes and hence different behaviours.

Investopedia (2011) mentions that in neo-classical economics, under perfect competition, individuals and firms should maximise efficiency in order to succeed and make profits. Firms that will not maximise efficiency will fail or can be forced to exit the market.

The X-efficiency theory asserts that under conditions of less-than-perfect competition, inefficiency may persist (Investopedia, 2011). This theory is controversial for the fact that it conflicts with the assumption of utility-maximising behaviour which is an axiom well accepted in the economic theory. According to Investopedia (2011) some economists argue that the concept of x-efficiency is merely the observance of workers' utility-maximising trade-off between effort and leisure.

Harvey Leibenstein's (in Binks & Vale, 1990) observations in 1968 suggest that a successful entrepreneur needs to synchronise inputs from several different markets which imply that two types of entrepreneurs can be identified. The first type refers to Schumpeter's entrepreneur, who arranges new combinations, while the second type refers to an entrepreneur who performs managerial functions by establishing or organising traditional combinations.

3.5.2 Hayek and Kirzner on the market process (1948)

Hayek visualises a world in which there is a continuous process of discovery; mainly minor discoveries about individual wants at particular times and places. According to Hayek, these discoveries are localised, so that different people have access to different information.

For Kirzner, the adjustment of price is the main role of the entrepreneur. According to Kirzner, alertness to disequilibrium is the distinguishing characteristic of the

entrepreneur. He defined the entrepreneur as anyone who is alert to profitable opportunities for exchange (Deakins & Freel, 2009:4).

The Kirznerian entrepreneurs are alert to opportunities for trade and they play an intermediary role and make profit. These possibilities of making profits exist because of imperfect knowledge. According to Kirzner, entrepreneurs have some additional knowledge which is not generally possessed by others, and this allows them to take advantage of profitable opportunities as they arise (Deakins & Freel, 2009:4).

Information in the market place is crucial for the Kirznerian entrepreneur (Deakins & Freel, 2009:4). It is the possession of additional knowledge that provides opportunities for creative discoveries. This is in contrast to the Schumpeterian view where anyone could potentially possess the additional knowledge and be alert to the business opportunities.

3.5.3 Knight on the role of uncertainty (1921)

Knight identifies the entrepreneur as the recipient of profit. He identified profit as the reward to the entrepreneur for bearing costs for uncertainty. He emphasised the speculative nature of entrepreneurship.

Knight's view of an entrepreneur is close to the commonly held view of the entrepreneur as a calculated risk taker (Deakins & Freel, 2009:6). For Knight an entrepreneur is an individual who is prepared to undertake risk and reap the reward. According to Deakins and Freel (2009:4), the reward for bearing uninsurable risk and uncertainty is the profit that will be earned by the entrepreneur.

The opportunity for profit arises out of uncertainty surrounding change. If change is perfectly predictable, then no opportunity for profit would exist (Deakins & Freel, 2009:6). The entrepreneur is an individual who is prepared to undertake risk in an uncertain world.

According to Deakins and Freel (2009:6), Knight distinguished between risk and uncertainty. Risk happens when one have certain predictable outcomes. The

outcomes should be predicted with a certain degree of profitability. On the other hand, uncertainty arises when the probability of outcomes cannot be calculated.

Knight acknowledged the importance of management skills to entrepreneurs. According to Deakins and Freel (2009:6), one of the characteristics of entrepreneurs (following Knight) could be of taking the responsibility for one's own actions.

We can safely say that the Knightian entrepreneur is anyone who is prepared to undertake the risk of setting up their own business. The problem with this theory is that any risk taker can be termed an entrepreneur (Deakins & Freel, 2009:7). Subsequently, the entrepreneur is anyone who has the confidence and venturesome enough to make judgements about the uncertain future and reward for this is profits that will be earned.

3.5.4 Schumpeter on innovation (1934)

Schumpeter offers a much more far-reaching view of entrepreneurship than any other theories do. According to Schumpeter, the entrepreneur is the prime mover in economic development, and his/her function is to innovate or carry out new innovations. He identified the entrepreneur as a force to economic change who brings creative destruction to the economy by revolutionising the production processes with newer and more efficient ones. Unlike Kirzner's entrepreneur, Schumpeter's entrepreneur is a special person for he/she is an innovator and one who brings about change through the introduction of new technological processes or products (Deakins & Freel, 2009:4).

For Kirzner, anyone has the potential to be an entrepreneur and he / she operates within set production constraints. This is not the same for Schumpeter. Schumpeter believed that only certain extra ordinary people have the ability to be entrepreneurs and they bring about extra ordinary events (Deakins & Freel, 2009:4). According to Schumpeter, an entrepreneur changes technological possibilities, alters convention through innovative activity and hence, moves production constraints. A Schumpeterian entrepreneur develops new technology, whereas the Kirznerian entrepreneur operates on opportunities that arise out of new technology.

In the Schumpeterian view, it is an entrepreneur who is the catalyst for economic change, which is voiced by the caption below.

“The process of creative destruction, in which entrepreneurs create new ideas and new businesses that make existing ones obsolete, is a sign of a vibrant economy (Zimmerer & Scarborough, 2008:5).

Joseph Schumpeter, a prominent Australian economist, challenged various assumptions underlying neoclassical economics. Schumpeter saw the entrepreneur as the source of new demand through the process of innovation (Barreira *et al.*, 2008:68).

It is entrepreneurs who play an important role by challenging the *status quo*, and enter the market using innovations (Barreira *et al.*, 2008:68).

Ahwireng-Obeng (2006:190) and Barreira *et al.*, (2008:68) are of the view that in Schumpeter’s analysis, entrepreneurs innovate by carrying out one or more of the following activities:

- introducing new goods or a new quality of goods;
- introduction of new methods of production;
- opening up new markets;
- discovering new sources of supply of raw materials or semi-processed goods; and
- reorganising the structure of an industry, for example creating a monopoly or even breaking up an existing one.

3.5.5 Shackle’s theory

According to Deakins and Freel (2009:7), Shackle’s entrepreneur is one who is creative and imaginative. Unlike Kirzner’s entrepreneur who perceives, Shackle’s entrepreneur imagines opportunities, and everyone potentially has this creative ability that is exercised in making choices. The role of uncertainty and imperfect information remains important for the view of the role of the entrepreneur by

Shackle (Deakins & Freel, 2009:7). It is uncertainty that gives rise to opportunities for certain individuals to imagine opportunities for profit.

Shackle's entrepreneur is creative and original (Deakins & Freel, 2009:7). The act of imagination is important for identifying the potential of opportunities. This potential is compared to resources available, which can lead to the decision to produce, hence the act of entrepreneurship.

Shackle indicates that creativity is an important element in the entrepreneurial process, but how this creative process occurs, and the factors which may influence it, remain areas that are just beginning to be explored (Deakins & Freel, 2009:7). Entrepreneurship education, among other factors may influence an individual's ability to be creative. Other factors include personal background, experiences and attitudes (Deakins & Freel, 2009:7).

3.5.6 Casson's Theory

Casson attempts to synthesise some of these entrepreneurial attributes and concepts that were discussed by other major writers. Casson recognises that the entrepreneur will have different skills (Deakins & Freel, 2009:7). It is skills and knowledge that enables the entrepreneur to make judgements, to coordinate scarce resources.

According to Casson, the entrepreneur makes judgemental decisions that involve the reallocation of resources. Casson emphasised that lack of capital may be a barrier for successful entrepreneurship. This is because entrepreneurs require command over resources if they are to back their judgements and decisions.

Casson's view is closer to that of Knight than for other writers (Deakins & Freel, 2009:7) in that he also believes that an entrepreneur operates within a set of technological conditions, by making difficult judgemental decisions they are able to enjoy the reward of bearing risk. The desire for profit and the ability to judge enables the entrepreneur to coordinate demand and supply under uncertainty (Deakins & Freel, 2009:7).

According to Deakins and Freel (2009:7), Casson's insight is to view change as an accompaniment to entrepreneurship and it is the pace of change that provides opportunities.

3.6 CHAPTER SUMMARY

This chapter covered entrepreneurship, economic growth and the theories of entrepreneurship. Entrepreneurship was defined and discussed, it was also differentiated from management. Entrepreneurs are differentiated from ordinary small business owners. This chapter also explained why entrepreneurs are important to any country. The role of entrepreneurs in economic growth was also given attention to. Economic theories of entrepreneurship were used to explain the role of entrepreneurs, the importance of entrepreneurship and why it is important to develop entrepreneurial skills in South Africans. The next chapter (Chapter 4) focuses mainly on entrepreneurship education.

CHAPTER FOUR
ENTREPRENEURSHIP EDUCATION

4.1 INTRODUCTION

The key to success in establishing a culture of entrepreneurship in South Africa is education” (Gouws, 2002:41)

South Africa has a very high unemployment rate, low economic growth and a dismal Total Entrepreneurial Activity (TEA) (Swanepoel, Strydom & Nieuwenhuizen, 2010:58; Von Broembsen, Wood & Herrington, 2005:36). These are real challenges and threats to the national economy; hence both the government and private businesses are attempting to address these challenges.

Some researchers in the economic spectrum agree that the development of the abilities and skills of SMME owners and managers is key to increased competitiveness and also sustainable growth of SMMEs as well as the growth of the national economy (Lange, Ottens & Taylor, 2000:5; Rogerson, 2001:117; Tustin, 2003:43; Volkman, 2004:1; Lowe & Mariot, 2006:105). This therefore means developing the SMME sector through empowering owners and managers with appropriate skills which then should be able to improve the TEA of South Africa.

The difference between SMMEs that grow and those that find it difficult to grow is the ability of SMME operators to learn and acquire skills (Robertson, 2003:461; Henry, Hill & Leitch, 2005:100). This issue shows that improving entrepreneurship education may be able to improve the economy of the nation and ultimately help solve its socio-economic challenges, especially unemployment and low economic growth.

Karimi, Chizari, Biemans and Mulder (2010:35) are of the view that it is because entrepreneurship has long been considered as a significant factor in socio-economic growth and development, and thus has caused a tremendous increase in entrepreneurship education at various colleges and universities around the globe, and South Africa is no exception. It is clear that entrepreneurship education is assuming an extraordinary relevance within academic programmes all over the world, but there is very little known about it from a research prospective (Alberti, Sciascia & Poli, 2004:1).

Although entrepreneurship education ranks high on policy agendas in many countries, little research is available to assess its impact (Von Gravenitz *et al*, 2010:90). The effects emanating from entrepreneurship education are also still poorly understood, despite the wide promotion of entrepreneurship education (Von Gravenitz *et al*, 2010:91). There are still doubts about whether entrepreneurship education actually affect SMME performance or contribute significantly to SMME success (Devins, Johnson & Sutherland, 2004:449).

Other researchers argue that there is a limit to what can be taught and learnt (Kunene, 2008:119) while some are of the view that personal experience may be the best teacher of entrepreneurship (Freeman, 2000:372; Massey, 2004:458). All this highlights the debate about the usefulness of the impact of entrepreneurship education on the performance of SMMEs in the world.

Entrepreneurship education has been rapidly promoted in educational institutions (Gurol & Astan, 2006:27) and this came as a response to the plea for the advancement of entrepreneurship education in the formal school curriculum that came from various sources, including the formal education sector, the private sector and Non Governmental Organisations (North, 2002:24). Entrepreneurship education is said to be very important in the nurturing of the entrepreneur (Hisrich, Peters & Dean, 2008:58).

4.2 ENTREPRENEURSHIP EDUCATION

Alberti *et al.*, (2004:5) stated that entrepreneurship education was pioneered by Shigeru Fijii, who started teaching in this field in 1938 at Kobe University in Japan. In 1947, Myles Mace had introduced the first course in entrepreneurship in the United States of America at the Harvard Business School (Katz, 2003). Resultantly, in less than half a century, entrepreneurship education had already gained a more universal recognition (Alberti *et al*, 2004:5).

Despite the fact that entrepreneurship education is not a totally new discipline, there is still considerable uncertainty and debate as to whether entrepreneurs are born or made (Henry *et al.*, 2005:98; Botha, 2006:48; Morh *et al.*, 2009). Most of the empirical studies conducted, indicate that entrepreneurship can be taught and education can actually beneficially foster entrepreneurship (Kunene, 2008:118).

Other researchers uphold the notion that entrepreneurship can be cultivated in individuals (Rwegima, 2004:48; Global Entrepreneurship Monitor, 2004:190) and that entrepreneurs can be created and enhanced by acquiring and developing certain behaviours (Klofstein & Spaeth, 2004:5). Rae (2000:145) asks how people learn to work in entrepreneurial ways. Stokes, Wilson and Mador (2010:30) argue that human beings have entrepreneurial behaviours, attributes and skills that can be developed through learning, and in this instance, is entrepreneurship education.

Among other authors, the trainability of entrepreneurs is also accepted and supported by McClelland, (1961:1); Hisrich and Peters, (2002:19) and; Pretorius and Van Vuuren, (2003:515). Some writers in the field of entrepreneurship have been successful to prove that entrepreneurship can actually be learnt, just like any discipline. In 1985, Peter Drucker, who is recognised as one of the leading management thinkers, stated that entrepreneurship is not magic, it is not mysterious and it has nothing to do with one's genes. According to Drucker (1985), Freeman (2000:372), Massey, (2004:458) and Timmons and Spennelli, (2007), entrepreneurship can actually be taught and learnt. This justifies the need for entrepreneurship education as a solution to the low total entrepreneurial activity, unemployment and low economic growth in South Africa.

According to Rwegima and Venter, (2004:66) and Wickham, (1998:15) mentioned that entrepreneurship education can affect an entrepreneurs' development. Wickham, (1998:15) argued that genes alone do not determine who becomes a successful entrepreneur. He argued that learning to be entrepreneurial is like learning to do anything else. It is just a form of behaviour, and behaviour is learnt (Wickham, 1998:xi).

The Consortium of Entrepreneurship Education, (2004:1) mentioned that it is through effective entrepreneurship education that people can access the skills and knowledge needed to start and grow an entrepreneurial venture. Stokes *et al.*, (2010:164) state that entrepreneurship education encompasses a wide range of and many different styles of learning.

Entrepreneurship education seeks to prepare people to be responsible, enterprising individuals who are able to take risks, manage results and learn from outcomes (Bbenkele & Ndedi, 2010:5). It also helps SMME owners and managers to learn how to prevent and solve business problems (Robertson *et al.*, 2003:314; Ladzani & Van Vuuren, 2002:156; Hisrich *et al.*, 2008:58). Entrepreneurship education can also help enhance leadership and boost the need for achievement, enhance self confidence and influence growth-related entrepreneurial and managerial attitudes and perceptions as well as alleviate the fear of failure in business (Ibrahim, Soufani, Poutziouris & Lam, 2004:478).

Since this study seeks to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Municipality in South Africa, it is important to assess the state of entrepreneurship education in South Africa.

4.2.1 Entrepreneurship education in South Africa

The current state of the South African economy is a cause of concern for citizens who are confronted with real challenges like crime, mismanagement, corruption and unemployment (North, 2002:24). Von Broembsen *et al.*, (2005:36) clearly shows that there is a low total entrepreneurial activity among South African citizens as compared to other countries. Von Broembsen *et al.*, (2005:36) reports that most South African youths do not believe that they have the skills to start a business and this may be attributed to the low proportion of South Africans that have completed secondary education. In 2001 and 2002 the education and training system was regarded as the number one limiting factor for entrepreneurship in South Africa (Herrington & Wood, 2003:1). Fatoki and Garwe, 2010:731 also confirm that entrepreneurship education is still one of the prime factors limiting the growth of the economy of South Africa. This therefore means that an improvement in entrepreneurship education may improve the low rate of entrepreneurial activity of SMMEs in South Africa, which is regarded as the economic engine of the African continent.

Davies (2001:31) noted that South Africa's capacity to absorb a new labour force into the formal sector has fallen from about 62% to less than 4% in the past four decades. Co and Mitchell (2006:348) are of the view that active intervention in the

form of entrepreneurship education is necessary if people, especially the youth are to escape the challenges that will come with unemployment.

Co and Mitchell (2006:348) stated that it is widely accepted and it is no longer surprising that the only way South Africa can address unemployment and revitalise the economy is through the rediscovery of the entrepreneur who is able to take calculated risks, one who breaks new ground and also is innovative. The South African economy needs entrepreneurs to address the problem of unemployment (Co & Mitchell, 2005:2). This therefore means that people need to be educated and trained so as to be equipped with entrepreneurial skills and values. Educating people in the field of entrepreneurship will encourage them to create jobs rather than just becoming job seekers.

Considering the challenges faced by the nation today, it is very unfortunate that the existing entrepreneurial base in South Africa is neither solid nor strong (Davies, 2001:32). This is mainly because the majority of South Africans have grown up with little or without home experience of entrepreneurship and they do not view themselves as potential entrepreneurs. According to Herrington and Wood (2003:2), there is a need to raise entrepreneurial awareness and create a good grounding in entrepreneurial skills including basic business, administration and financial skills in South Africa. Herrington and Wood (2003:10) stressed the importance of developing an entrepreneurial mindset which includes the perception by individuals that they have the ability to succeed as entrepreneurs and that entrepreneurship can be a desirable career path.

Lack of entrepreneurship education has been identified by South African experts as one of the prime factors in South Africa (Herrington and Wood, 2003:11; Fatoki and Garwe, 2010:731). Umsobomvu (2002:2) recommended that entrepreneurship education be integrated into the school curriculum at all levels so as to build a strong entrepreneurial culture.

It has to be noted that entrepreneurship is still a young developing field (Alberti *et al.*, 2004:4) with growing importance in the global business environment and it is for this reason that there has been an increased demand for entrepreneurship education. Entrepreneurship education is still at its early developmental stages

(Mitchell, 2006:349) even though some institutions of higher learning in South Africa have been involved since the early 1990s (Co & Mitchell, 2006:357).

North (2002:24) notes that there is an urgent need for young people to be educated and trained in the field of entrepreneurship. This shows the importance of entrepreneurship education. He argued that entrepreneurship education can contribute to the ideal of empowering as many people as possible so as to unleash the previously stifled human potential of South Africans. Entrepreneurship education is an important factor that can contribute to the development of an entrepreneurial culture in developing countries (Burger *et al.*, 2005:90).

Programmes which aim to develop entrepreneurship are numerous in South Africa but tangible results are difficult to see. This may be because of insufficient growth within existing firms to reduce unemployment (Bbenkele & Ndedi, 2010:1) thus also motivating the need for this study.

Due to the history of discouragement of entrepreneurship and the culture of working for others, there is still an absence of entrepreneurial education for young people in a way that could encourage them to enter business and acquire a culture of entrepreneurship (Agupusi, 2007:15). Bbenkele and Ndedi (2010:5) noted that entrepreneurship education is a common course of study in higher education settings. They also mentioned that to successfully address the challenge of youth unemployment, certain things need to be developed regarding the training of potential entrepreneurs through tertiary institutions. Karimi *et al.*, (2010:37) agree that entrepreneurship education can play a crucial and significant role in changing views of South Africans towards self-employment and gaining necessary skills to manage a business. In Ndedi and Bbenkele's (2010:5) view, it is the behaviour to engage in the start-up process that really matters and that is what is lacking in most entrepreneurship programmes in South Africa.

South Africa's future entrepreneurial capacity depends on how well the nation is equipping individual citizens to start their own businesses and to individuals to be able to provide employment, not only for themselves, but also for others (GEM, 2005:36). It is beyond reasonable doubt that education is key and

entrepreneurship education may play a critical role in developing the culture of entrepreneurship in South Africa and the rest of the continent.

To realise the ideal of a better life for all South Africans, the entrepreneurial energies and capabilities of all citizens should be harnessed and improved to ensure that the country's full potential for economic growth is unleashed (North, 2002:24). Improving and promoting entrepreneurship education in South Africa at all levels of education and to all people will help the nation realise the goal of economic growth, employment creation and also improve its Total Entrepreneurial Activity (TEA).

4.2.2 Entrepreneurship Education defined

Education is defined as the theory and practice of teaching or information about training in a particular subject (Oxford Dictionary, 2005). Foxcroft *et al.*, (2002:18), defined entrepreneurship education as the extent to which the education system is effective in providing instruction and experience in the creation and management of SMMEs.

Entrepreneurship education can also be defined as a life-long learning process which proceeds through at least five distinct stages of development (Consortium for Entrepreneurship Education, 2004:6). The stages include the basics, competence awareness, creative applications, start up and finally, growth.

Jones and English (2004) in Mauchi, Karambakuwa, Gopo, Kosmas, Mangwende and Gombarume (2011:1307) define entrepreneurship education as the process of providing individuals with the ability to recognise commercial opportunities and the knowledge, attitudes and skills to act on them. Entrepreneurship education can be defined as the transfer and facilitation of knowledge about how, by whom, and with what effects opportunities to create future commodities are discovered, evaluated and finally exploited.

Ladzani and Van Vuuren (2002:155) defined entrepreneurship education as a three-legged pot of motivational, entrepreneurial and business skills training. Stokes *et al.*, (2010:1) stated that human beings have behaviours, attributes and skills which can be developed through learning, which is also the case with

entrepreneurship education. The definition of entrepreneurship education adapted at European level stresses that this concept is much wider than just 'training on how to start a business' (Raposo & Do Paco, 2010:1).

According to Isaacs *et al.*, (2007:614), entrepreneurship education is defined as the purposeful intervention by an instructor in the life of the learner to impart entrepreneurial qualities and skills to enable the learner to survive in the business world. Alberti, Sciascia and Poli (2004:5) defined entrepreneurship education as the structured and formal transmission of entrepreneurial competencies, which in other words, refers to the skills, concepts and mental awareness used by individuals during the process of starting and developing their growth oriented ventures.

Although the definitions seem different, they all include the development and improvement of entrepreneurial awareness, knowledge, skills and concepts in the field of entrepreneurship. Entrepreneurship education is developing and improving the competencies that are needed to successfully establish and run an entrepreneurial venture.

4.2.3 Objectives of Entrepreneurship Education

Karimi *et al.*, (2010:37) are of the view that entrepreneurship education tries to prepare people to be responsible, to take risks, to manage the business and to learn from the outcomes by immersing themselves in real life learning experiences. The main objective of entrepreneurship education is to foster the creation of new entrepreneurs who could start new ventures (Tobias & Ingrams, 2010:2).

Entrepreneurship education seeks to prepare people to be responsible, enterprising individuals, who become entrepreneurial thinkers and contribute to sustainable economic development (The Consortium for Entrepreneurship Education: 2004:3). It is also the objective of entrepreneurship education to encourage creative thinking and to promote a strong sense of self-worth and accountability.

Entrepreneurship knowledge and skills are essential resources for the success of the SMMEs and ultimately for economic development (Stokes, Wilson & Mador, 2010:77). Entrepreneurship education has been driven especially by academics, business leaders, entrepreneurs as well as government officials seeking an advantage in a globalised world (Frederick, 2007:2).

Alberti *et al.*, (2004:5) outlined three main sources that demand entrepreneurship education. The sources are the government, students and the business world. Burger *et al.*, (2005:90) highlighted the expectations of entrepreneurship education. They agree with Jack and Anderson (1999:115) who pointed out that the government expect entrepreneurship education to contribute to job creation, economic growth, skills enhancement and the development of entrepreneurial culture which will ultimately eradicate poverty. Businesses on the other hand, expect entrepreneurship education to develop a general understanding of basic business issues, creative work attitudes and an entrepreneurial approach among learners (Jack & Anderson, 1999:112). Learners are said to expect entrepreneurship education to assist them in their quest to start new ventures and to develop skills that will allow them to be employable in bigger firms also (Jack & Anderson, 1999:116). Practicing entrepreneurs expect entrepreneurship education to help them solve the unique problems in their businesses (Young, 1997:218; Burger *et al.*, 2005:90). Practicing entrepreneurs seek to grow their businesses, maximise their profitability and also to dominate the market.

Solomon (2007:171) identified focus areas that should be covered in entrepreneurship education. He states that entrepreneurship education needs to include skill building in negotiation, leadership, new product development, exposure to technological innovation and creative thinking. Other areas that can be identified as crucial for entrepreneurship education include awareness of entrepreneurial career options, sources of capital, characteristics that define entrepreneurial personality, idea protection and challenges that can be faced at each stage of business development (Kabongo & Okpara, 2010:297).

Nieman & Nieuwenhuizen (2009:14) are of the opinion that the core objective of entrepreneurship education is to generate a greater variety of ideas, to show how

to exploit a business opportunity and to cover the existence sequence of actions for entering a business or creating a new venture.

Individuals and organisations seek entrepreneurship education for varying reasons. Alberti *et al.*, (2005:8-9) state that the following are the most cited objectives of entrepreneurship education, which are to:

- acquire knowledge relevant to entrepreneurship;
- acquire skills in the use of techniques, in the analysis of business situations and in the synthesis of action plans. This objective aims at the promotion of skills of analysis and synthesis in the use of knowledge about accounting, marketing, finance and general management in a holistic way;
- identify and stimulate entrepreneurial drive, talent and skill;
- develop empathy and support for the unique aspect of entrepreneurship;
- undo the risk adverse bias many analytical techniques and to revise attitudes towards change; and
- encourage new start-ups and other entrepreneurial ventures and to stimulate the 'effective socialisation element' in oneself.

Alberti *et al.*, (2004:9) stress that entrepreneurship education aims at building the so-called entrepreneurial competencies, which are considered as combinations of different entrepreneurial skills, knowledge and attitudes.

Arogundade (2011:27) reported that entrepreneurship education is structured to achieve the following, which is to:

- enable individuals to be self-employed and self-reliant;
- enable people to be creative and innovative in identifying business opportunities;
- serve as a catalyst for development and economic growth;
- reduce the level of poverty;

- create employment opportunities;
- reduce rural-urban migration;
- empower tertiary institution graduates with adequate training in risk management; and
- inculcate the spirit of persistence in people which will enable them to persist in any business venture.

It is the understanding of the objectives of entrepreneurship education programmes that introduces a deeper understanding of different audiences for entrepreneurship education.

4.2.4 Target audience of entrepreneurship education

Traditionally, entrepreneurship education was addressed to small business owners and managers, and those who wanted to start their businesses, but nowadays it is taught to a very diverse audience, varying from those with little formal education to those who hold PhDs and also to people in different countries in the world (Brockhaus, 2001; Alberti *et al.*, 2004:10).

Block and Stumpf (1992:19) suggest that if the definition of entrepreneurship used, is the pursuit of opportunities without regard to the currently available resources, the audience of entrepreneurship education will as well broaden considerably beyond potential new business starters. This will allow many categories of people to be included as potential audiences of entrepreneurship education. The audience of entrepreneurship education can include the self employed, small business starters, managers of organisations, scholars, SMME advisors and consultants.

Segmenting the audience of entrepreneurship education is important for different categories of people who usually have different learning needs (Ghosh & Bloch, 1994). Referring to the audiences identified by Block and Stumpf (1992:19), entrepreneurs, managers, people with entrepreneurial spirit and scholars will be considered as possible categories of entrepreneurship education, which are:

- Entrepreneurs - Active entrepreneurs who perceive a need for entrepreneurial and management training is generally the most common target for entrepreneurship education.
- Managers - Both line and senior managers may want to foster an entrepreneurial spirit, focused on identification and exploitation of opportunities in the people that they manage. This may be the need for entrepreneurship education to managers.
- People with entrepreneurial spirit - People who want to kindle the entrepreneurial spirit within themselves need and may seek entrepreneurship education. Individuals with an entrepreneurial spirit show an attitude towards experiencing new situations, enhancing change and being open and flexible about new views and ideas. Learning objectives and needs of these people may include the development of empathy and support for entrepreneurship, and also identification and stimulation of entrepreneurial talent and skills.
- Scholars - Scholars are individuals who wish to explore entrepreneurship at an intellectual level. Their purpose is not really to become entrepreneurs, but to acquire knowledge about the peculiarities of entrepreneurship, without having a mind to direct application to their career. Scholars also include students and academics interested in entrepreneurship education as a discipline.

4.3 BENEFITS OF ENTREPRENEURSHIP EDUCATION

It has been argued that acquiring and developing entrepreneurial competencies is more important than the direct provision of financial resources and consulting support that may be needed by entrepreneurs (Pretorious, 2001:223; Ladzani & van Vuuren, 2002:158; Nasser, Du Preez & Herrmann, 2003:399). Rae (2000:145); Dana (2001:405); Toye (2002:26); Nieman, Hough, & Nieuwenhuizen, (2003:12); Robertson (2003:470) suggest that entrepreneurial and management skills which are central for the running of successful SMMEs, can be developed through entrepreneurship education.

Considering the fact that there are different audiences that intend to benefit from entrepreneurship education, the benefits of entrepreneurship education will

definitely be different to different individuals or organisations. Herrington and Wood (2003:10), Botha (2006:47) and Henry *et al.*, (2005:102) highlighted the following as the benefits and advantages of entrepreneurship education which are that it;

- plays a critical role in raising awareness of the nature and importance of entrepreneurship to economic growth of a nation;
- contributed to the development and building of an entrepreneurship culture in any country;
- can help aspiring entrepreneurs by equipping them with practical skills and knowledge that is required in SMME start-up and management towards growth of their ventures;
- can also develop attitudes, perceptions and mindsets that are not averse to risk taking, failure and competition;
- can increase the intrinsic motivation and self confidence of both emerging and existing entrepreneurs;
- makes people realise that entrepreneurs can be made and not necessarily born; and
- Starting a business is risky as it is, but the possibility of success can be enhanced if the problems anticipated are understood and solutions investigated prior to the business start-up through entrepreneurship education.

According to the Consortium for Entrepreneurship Education (2004:3) entrepreneurship education empowers individuals with knowledge and skills. The knowledge and skills that can be gained from entrepreneurship education include the ability to recognise opportunities, the ability to pursue opportunities by coming up with new ideas and marshalling the needed resources, the ability to create and manage a new venture and the ability to think in a creative and critical manner.

Charney, Libecap and Center (2000:1) are of the opinion that entrepreneurship education has become popular in many countries for the following reasons which are that it:

- allows people to integrate finance, accounting, marketing economics, and other business disciplines. This is an enriching and integrative educational experience on the part of learners;
- can promote the formation of new businesses and enhance their employment prospects, and their success in the job market; and
- may also promote technology transfer from the learning institutions to the market. Entrepreneurship education creates links between the business and academic communities.

On the other hand, Driver *et al.*, (2001:29) mention that there are arguments that the education field does not lead itself to possibility of start-up because the education system in South Africa does little to nature entrepreneurial activities). In South Africa this can be said to be as a result of challenges in entrepreneurship education.

4.4 CHALLENGES CONFRONTING ENTREPRENEURSHIP EDUCATION

Although entrepreneurship education has been promoted in the world and in South Africa as a way of improving entrepreneurial activity and ultimately eradicate poverty, there are still barriers to effective entrepreneurship education in South Africa.

The challenges that confront South Africa as far as entrepreneurship education is concerned include:

- overall lack of entrepreneurial elements in the education system (Foxcroft *et al.*, 2002:15);
- inappropriate learning methodologies (Botha, 2006:5);
- most education programmes are not being outcome or skill development based (Ladzani & Van Vuuren, 2002:155); and

- entrepreneurship is not being promoted as a career option since the education system promotes a large firm culture whereby the majority of students plan to work for someone else after graduation (Antonites, 2003:31).

4.5 ENTREPRENEURSHIP EDUCATION AND THE PERFORMANCE OF SMMEs

Kangasharju (2000:30) states that in order to prevent business failures and promote SMME growth, the lack of appropriate skills must be addressed. This indicates that if certain skills lack, SMMEs will continue to fail and they will not grow. This calls for the promotion of entrepreneurship education to improve the skills of entrepreneurs. It is because of this expectation that more and better entrepreneurship education would result in more and better entrepreneurs that drives the proliferation of entrepreneurship education (Kabongo & Okpara, 2010:296).

Entrepreneurship education is said to be a key element in the successful venture creation (GEM, 2005:5). Relevant research suggests important links between education, venture creation and entrepreneurial performance (Raposo & Do Paco, 2010:1). Most of these researches show a positive relationship between education and performance of SMMEs. This is also supported by Maas and Herrington (2006:12) who stated that entrepreneurial performance is highly dependent on effective entrepreneurship education. It can no longer be rejected that education has a strong impact on entrepreneurship (Driver *et al.*, 2001:16).

Driver *et al.*, (2001:4) stated that lack of entrepreneurship education limit the performance of SMMEs in South Africa. According to Timmons and Spinelli (2007:64), successful entrepreneurs possess not only creative and innovative flair, but also strong general management skills, business know-how and sufficient contacts. Lack of these skills and knowledge in owners and managers of SMMEs will generally limit the performance and competitiveness of these ventures. Aderemi, Ilori, Siyanbola, Adegbite, Abereijo (2008:173) also found that SMME performance was related to business skills and motivation of the owner or manager.

Von Broembsen *et al.*, (2005) pointed out that individuals who believe that they have the skills to start a business are far more likely to start a business and succeed, than people who do not believe they have the skills. The same report (Von Broembsen, *et al.*, 2005:36) shows that most South Africans do not believe they have entrepreneurial skills, hence the low new firm creation and the high failure rate. Entrepreneurship education helps to improve confidence in SMME operators.

Other studies have shown evidence that entrepreneurship education can lead to a positive effect on success and growth of the majority of SMMEs (Simpson *et al.*, 2004:481; Keough, 2003:17; Ibrahim *et al.*, 2004:478; Mueller & Thomas, 2001:68). It has also been found that lack of entrepreneurship education leads to skills shortages and hinders entrepreneurship (Pretorius & Shaw, 2004:222; Ligthelm & Cant, 2002:6; Ladzani & Van Vuuren, 2002:156; Tustin, 2003:38)

Antonites (2003:31) mentions that many studies have proved that entrepreneurs can be taught to stimulate entrepreneurial activity and performance. This creation of entrepreneurs is partially dependent on the creation and advancement of efficient entrepreneurship education programmes (Pretorius *et al.*, 2005:100; Gurol & Atsan, 2006:26).

The study by Mutezo (2005:89) showed that entrepreneurs require business skills training and also entrepreneurial skills training. The performance of an entrepreneurial venture is critically influenced by the knowledge, skills and experience of the entrepreneur. Possession of adequate skills for entrepreneurial success is very crucial and some level of education is another success indicator for entrepreneurship (Ekpe, 2011:288). According to Kunene (2008:122), entrepreneurship education improves skills that enhance SMME development and entrepreneurial performance in terms of productivity, competitiveness, profitability and, increase in sales, assets and employees (Clover & Darroch, 2005:257; Henry, Hill & Leitch, 2005:102).

Successful entrepreneurs have particular skills, expertise and aptitudes that can be applied profitably in any enterprise. It is best to start and run an enterprise in something that one is more comfortable with or know of or at least in which one is

skilled (Nieuwenhuizen, 2000:41). Entrepreneurship education is relevant and can determine whether a venture will succeed or fail.

It will be difficult to investigate the impact of entrepreneurship education without looking at the indicators or measures of entrepreneurship education. It is important to discuss how entrepreneurship education is assessed or measured. The following section discusses how entrepreneurship education can be assessed or measured.

4.6 THE ASSESSMENT OF ENTREPRENEURSHIP EDUCATION

It is very important to measure or assess the impact of entrepreneurship education on the performance of SMMEs in South Africa, for this will show whether the objectives of entrepreneurship education are being achieved. In the past, little attention has been dedicated to how to measure the overall effectiveness of entrepreneurship education towards both individuals and the society (McMullan & Gillin, 2001).

According to Alberti *et al.*, (2004:16) the main challenges related to the assessment of entrepreneurship education lie in measuring output from the entrepreneurial education process. The methods for assessing the results of entrepreneurship education are still not well defined and there is no one standardised and generally accepted way of measuring the results (Alberti *et al.*, 2004:16)

Although it may seem difficult to determine the relationship between entrepreneurship education and the performance of SMMEs, some output measures of entrepreneurship education can be used to determine this relationship. Changes in entrepreneurial skills, changes in orientation towards entrepreneurial careers, changes in personal assessment of entrepreneurial skills and knowledge are some of the output measures for entrepreneurship education (Wickham, 1989; Alberti *et al.*, 2004:16).

The lack of generally accepted measures of entrepreneurship education may be as a result of a number of factors that characterise entrepreneurship education. Factors characterising entrepreneurship education include the different target

groups, different objectives and also different levels of analysis (Alberti *et al.*, 2004:16).

4.7 GOVERNMENT SUPPORT TO ENTREPRENEURSHIP EDUCATION

In 1994, the new South African government's Reconstruction and Development Programme (RDP) placed a major emphasis on entrepreneurial awareness, education and training (Klofsten & Spaeth, 2004:8). The government and other Non-Governmental Organisations (NGOs) support SMMEs through entrepreneurship education and business advice (Clover & Darroch, 2005:257)

Ensuring access in entrepreneurship education programmes that upgrade the capacity of SMMEs, is cited as the main way in which the government can promote the establishment and growth of SMMEs and also reduce the high failure rate (Luiz, 2002:68). It is thus realised that the key to success in establishing a culture of entrepreneurship in South Africa is education (Gouws, 2002:41; Herrington & Wood, 2003:11).

Entrepreneurship education is considered important for economic prosperity (Sullivan, 2000:162; Kunene, 2008:119) hence the need for governments to focus on developing and improving access and the quality of entrepreneurship education. Many African governments' efforts to reduce unemployment have resulted in policy initiatives that are aimed at raising skills levels through entrepreneurship education (Massey, 2004:458; Sutherland, 2004:449). Subsequently, it is entrepreneurship education that is said to facilitate higher levels of performance in entrepreneurship (Foxcroft *et al.*, 2002:29).

4.8 INSTITUTIONS THAT SUPPORT ENTREPRENEURSHIP EDUCATION

Ladzani and Van Vuuren (2002:156) mention that organisations wishing to develop entrepreneurship education are of the view that the main reason for venture failure is lack of entrepreneurship education. In the Buffalo City Metropolitan Municipality in the Eastern Cape Province of South Africa, there are various institutions that support SMMEs. The institutions include, but are not limited to, the Small Enterprise Development Agency (SEDA), commercial banks,

Khula Enterprise Finance and the Eastern Cape Development Corporation (ECDC).

4.8.1 Small Enterprise Development Agency (SEDA)

According to the South Africa Yearbook 2006/2007, the National Small Business Act of 1996 was amended in 2004 to provide for the merging of Ntsika Enterprise Development Agency and the National Manufacturing Advisory Centre to form the integrated Small Enterprise Development Agency (SEDA) on 13 December 2004.

According to SEDA (2010), SEDA is an agency of the South African Department of Trade and Industry (DTI). It is mandated to implement the government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government.

SEDAs mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international beneficial practices available to local entrepreneurs. This is critical in alleviating poverty in South Africa, as the small enterprise sector has a significant and valuable contribution to make in sustainable and equitable social and economic development, as well as employment and wealth creation.

SEDA is committed to building the sector through the development of SMMEs, so that this incredible potential may be realised. To this end, it offers SMMEs advice, counselling, mentorship, guidance and access to vital contacts through its nationwide network of 9 provincial offices, 40 district branches, 4 mobile units, 46 Enterprise Information Centres and 29 Technology Incubators across the country.

Products and services to which entrepreneurs have access, include, among others, information and advice, training and mentoring, business planning and registration, incubation and technology transfer as well as sector specific training and development programmes.

According to Nieman and Neuwenhuizen (2009), SEDA provides non-financial support to SMMEs and is the most extensive business network in South Africa. It does not give out loans or grants.

According to the Department of Trade and Industry (2007), SEDA provides the following key products and services, which are:

- business support information and company registrations;
- business analysis and advisory service;
- exporter development programme;
- mentorship;
- supplier development; and
- skills development.

Another organisation that supports SMMEs is Khula Enterprise Finance which is discussed in section 4.8.2.

4.8.2 Khula Enterprise Finance

Khula Enterprise Finance Limited was established in 1996 in terms of a Department of Trade and Industry initiative and operated as an independent, limited liability company (Nieman & Nieuwenhuizen, 2009:202).

According to Khula Enterprise Finance (2010), the company is a wholesale finance institution which operates across the public and private sectors, through a network of channels to supply much-needed funding to small businesses. Khula's channels include South Africa's leading commercial banks, retail financial institutions, specialist funds and joint ventures. Its primary aim is to bridge the "funding gap" in the SMME market not addressed by commercial financial institutions.

Its financial products include loans, a national credit indemnity guarantee scheme, grants, institutional capacity building, equity funds and mentorship schemes (Nieman & Nieuwenhuizen, 2009:202).

According to Nieman and Nieuwenhuizen (2009), the roles of Khula are categorised into:

- providing support to financial intermediaries as retail distribution networks by offering them in a sustainable manner loans, guarantees and seed funds; and
- direct services to SMMEs by offering a range of financial resources and information to the public.

Commercial banks also play a role in developing the SMMEs sector in the Eastern Cape Province. Commercial banks are discussed briefly in section 4.8.3 that follows.

4.8.3 Commercial banks

Commercial banks in South Africa include the First National Bank, the Standard Bank, Nedbank and ABSA. These banks provide different services to SMMEs including providing finance in the form of bank loans. According to Nieman and Nieuwenhuizen (2009), there has been criticism that banks do not help new businesses with finance, but that they are business ventures that have to minimise and manage their own risk.

4.8.4 Universities

Universities in the Eastern Cape province of South Africa work with and assist SMMEs in the province through their community engagement initiatives. These universities include the University of Fort Hare, Walter Sisulu University, Nelson Mandela Metropolitan University and the Rhodes University.

4.8.5 Eastern Cape Development Corporation (ECDC)

According to the Eastern Cape Development Corporation (2011) the Eastern Cape Development Corporation (ECDC) is a dynamic economic development agency in

the Eastern Cape province of South Africa. The ECDC is the official economic development agency for the Eastern Cape Province and it is wholly owned by the Eastern Cape Provincial government. This agency works with both the provincial and national ministries. ECDC works with the municipalities, businesses, communities and other development agencies to implement economic development policies, including empowering SMME operators in the province.

ECDC was formed in 1996 by an Act of the Eastern Cape legislature to plan, finance, market, coordinate and implement the development of the province in the fields of industry, commerce, agriculture, transport and also finance. The ECDC has the following as its strategic intentions, which are to:

- attract new investors and to position the province as the investment target of choice;
- stimulate reports and to facilitate economic development; and
- facilitate start-up businesses and to build the already existing ones.

The work of the ECDC is aligned with the strategic intent of the Provincial Growth and Development Plan (PGDP), the Eastern Cape's official roadmap to a prosperous future for all its people, as well as broader local and national policy interventions that are designed to deliver economic growth, employment and reduce or eradicate poverty in the whole of South Africa, which appears in table 4.1 on the next page, showing key support institutions for SMMEs in South Africa.

Table 4.1: Key support institutions for SMMEs

| INSTITUTION | ROLE OF SUPPORT INSTITUTION |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Department of Trade and Industry | <ul style="list-style-type: none"> • Dedicated government policy and national strategy development department; • Research agenda for the SMME sector and annual performance reviews. |
| Small Enterprise Development Agency | <ul style="list-style-type: none"> • Dedicated national non-financial services agency targeting SMMEs through business support network, incubation and technology transfer network. |
| Khula Enterprise Finance Ltd | <ul style="list-style-type: none"> • Dedicated national SMME finance agency targeting a loan size of R10 000 to R3 000 000 using retail financial institutions and commercial banks as a springboard. |
| The Enterprise Organisation | <ul style="list-style-type: none"> • Dedicated to business development incentives administration |

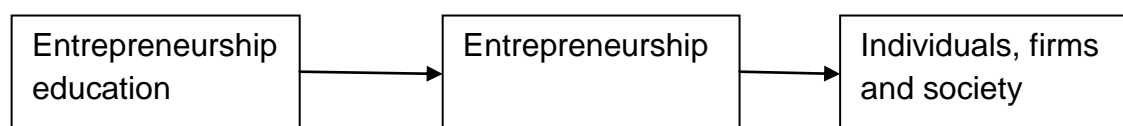
Source: Adapted from Nieman and Nieuwenhuizen (2009)

From table 4.1 it shows the institutions, as well as their roles in supporting the South African business sector, the relevance of entrepreneurship education appears in the next section.

4.9 THE RELEVANCE OF ENTREPRENEURSHIP EDUCATION

Entrepreneurship education fosters entrepreneurship which in turn results in positive outcomes in individuals, firms and the society (Alberti *et al*, 2004:3). Figure 4.1 below summarises the relevance of entrepreneurship education.

Figure 4.1: The relevance of Entrepreneurship education



Source: Researcher's owner's compilation

Figure 4.1 illustrates that the acquisition of entrepreneurship skills, concepts and knowledge will encourage more to engage in entrepreneurial activities. This will

help individuals earn income and make some profits. Innovation and creativity gained through entrepreneurship education improves competitiveness and also success chances of already established firms. Entrepreneurship education also benefits the society at large through employment creation, provision of the much needed goods and services and economic growth.

It is also important to look critically at the importance and impact of entrepreneurship education as discussed in section 4.9.1, starting with the conceptual model of entrepreneurship education and is illustrated in figure 4.2 on the next page.

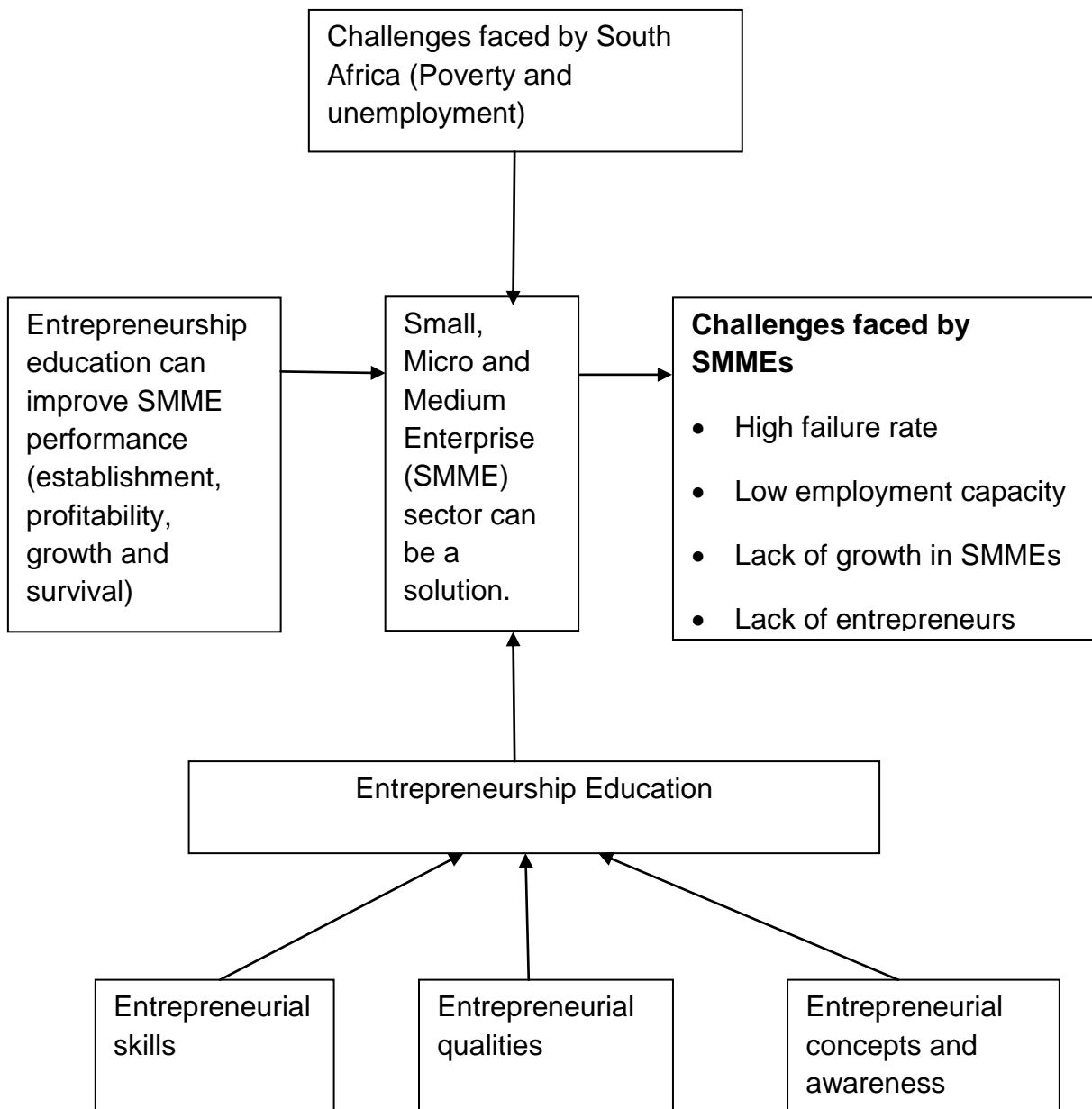
4.9.1 Conceptual model of entrepreneurship education

It is now clear that SMMEs play a critical role in the nation especially in helping achieving socio-economic goals of employment creation, economic growth and equitable distribution of wealth. SMMEs also play a role in reducing poverty in the nation through the provision of goods and services. However, it will not be easily possible to achieve these generic goals and solve the challenges faced by South Africa today considering the challenges that are faced by this important sector (SMME sector).

SMMEs in South Africa are confronted by various challenges, including high failure rate, low employment capacity, lack of growth in SMMEs and lack of educated entrepreneurs. These challenges are said to be the reason of lack of entrepreneurship knowledge and skills and also inaccessibility of finance.

It is possible that entrepreneurship education can help improve SMME performance. This will mean improved rate of establishment of new ventures, increased profitability, growth and also survival of SMMEs. By providing and improving entrepreneurship education, the performance of business ventures should be able to improve and ultimately eradicate poverty and reduce unemployment in the nation. The conceptual model of entrepreneurship education is shown in figure 4.2 on the next page.

Figure 4.2: Conceptual model of entrepreneurship education



Source: Researcher's own compilation

Figure 4.2 serves to show that acquiring entrepreneurial skills, qualities, concepts and awareness should increase chances of success in most SMMEs in the nation.

4.10 CHAPTER SUMMARY

This chapter discussed entrepreneurship education in general. Different definitions of entrepreneurship education were also highlighted. More attention was given to the state and role of entrepreneurship education in South Africa. Objectives and

benefits of entrepreneurship education were also critically looked at and discussed. It was also found that there are various audiences for entrepreneurship education. These were discussed, focusing more on their different expectations. Challenges encountered in entrepreneurship education, the impact of entrepreneurship education on performance of SMMEs and how the impact of entrepreneurship education can be assessed, formed part of this chapter. The relevance of entrepreneurship education and also the institutions that can support entrepreneurship education in South Africa, were discussed. The next chapter will discuss how this study was conducted. Chapter 5 discusses the research methodology.

CHAPTER FIVE
RESEARCH METHODOLOGY

5.1 INTRODUCTION

The previous chapter (Chapter 4) discussed entrepreneurship education. The aim of this chapter is to explain the research methodology followed in the empirical part of the study. According to Cooper and Schindler (2003:38), research methodology refers to the way in which data is gathered for a research project. It is the “blueprint” of the collection, measurement, and analysis of data in order to achieve the objectives of the research project.

This chapter discusses the research design, population and sample of the study at hand. The chapter further discusses methods and techniques by which data was collected. The instrument used to collect data is also discussed, together with the data analysis methods applied.

5.2 FOCUS OF THE RESEARCH

The study investigates the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality in the Eastern Cape province of South Africa.

5.2.1 Scope of the research

This study was delimited in scope to effectively meet the research objectives and to address the research problem.

5.2.1.1 Study area

This study was conducted by making use of SMMEs specifically in East London and King Williams Town, in the Buffalo City Metropolitan Municipality. This area is within a two hundred (200) kilometre radius from the University of Fort Hare main campus.

This area forms the backbone of the economy of the Eastern Cape with its manufacturing sector contributing to 30% of the province’s manufacturing output, and its services contributing to 39% of the province’s community services output. This area is the second largest contributor to the economy of the Eastern Cape

Province; it contributes about 40% of the provincial Gross Domestic Product (Eastern Cape Socio-Economic Consultative Council, 2005:22).

5.2.1.2 Survey population

Population refers to the total group of people or all elements about which information is needed (Proctor, 2000:88; Cant, *et al.*, 2005:162). The study focused on SMMEs in the Buffalo City Metropolitan Municipality, in line with the definition of small businesses provided by the South African National Small Business Act 102 of 1996. The study only covered SMMEs in the retail, construction, manufacturing, wholesale and service sector that are part of the sample frame obtained from the Eastern Cape Development Corporation (ECDC). A sample frame can be described as a list of members of the population of interest that is eligible for inclusion in a sample (Proctor, 2000:455). The population for this study was 420 SMMEs.

When sampling, it is very important that researchers select respondents who are representative of all the elements (the total group of people) from whom the information is needed (Cant *et al.*, 2005:164). Proctor (2000:88) emphasise that it is crucial to define the population properly and precisely because failure to do so can lead to failure in solving the actual research problem. According to Proctor (2000:88), population needs to be defined in terms of the elements, units and time.

5.3 RESEARCH METHODOLOGY

This study consists of two basic components as part of the research methodology. It consists of a literature review and an empirical study. The research design, and methods used to conduct this study are discussed below.

5.3.1 Research design

A research design is a preliminary plan for conducting research (Cant *et al.*, 2005:46). It is a detailed plan that is used to thoroughly guide a research study towards achieving research objectives (Aaker, Kumar & Day, 2008:71). Cant *et al.*, 2005:46) emphasise that the correct research design saves time and money, resulting in valid and reliable results.

There are generally three basic types of research designs that are used in conducting primary research. These are qualitative research design, quantitative research design and triangulation, which is a combination of the two. Aaker *et al.*, (2008:71), and Zikmund and Babin (2010:132) note that the choice of a research design depends on the nature, the setting and the possible limitations of the research that the researcher wishes to conduct.

This study used a quantitative research design and is discussed below.

5.3.1.1 Quantitative research design

This study used the quantitative research design which was described by Ghauri and Gronhaug (2005:120) as studies whose findings are mainly the product of statistical summary or/and analysis.

Quantitative research involves the systematic and scientific collection of primary data to investigate the quantitative properties and phenomena and their relationship with the intention of projecting the results to a wider population (Cooper & Schindler, 2003:45). The aim of quantitative research is to generalise about a specific population, based on the results of a representative sample of that particular population. According to Cooper and Schindler (2003:45), quantitative research employs mathematical analysis to provide the fundamental connection between empirical observation and mathematical expression of quantitative relationships.

Quantitative research places a heavy emphasis on the use of structured questionnaires (Hair *et al.*, 2008:78). Quantitative research methods deal with problems that are specific and well-defined and also when the decision-maker and researcher have already agreed on the precise information needs.

5.3.1.2 Sampling procedure

According to Cooper and Schindler (2003:52) the basic idea of sampling is that by selecting some of the elements in a population, it becomes possible to draw conclusions about the entire population. A sample represents the elements of the target population (Zikmund & Babin, 2010:695). Sampling is the act, process, or technique of selecting a suitable representative part of a population for the

purpose of determining parameters or characteristics of the whole population (Cant *et al.*, 2005:163). The purpose of sampling is to make generalisations about the whole population which are valid and which allow prediction. It allows the researcher to draw conclusions about the entire population as it is possible to observe all relevant events in the population because of time and cost. Compelling reasons for sampling in this study are: lower cost, greater accuracy of results, greater speed of data collection, and availability of population elements.

According to Kumar (2005), sampling design is guided by two principles namely, the avoidance of bias in the selection of a sample and the attainment of maximum precision for a given outlay of resources.

a) Sampling methods

Proctor (2000:91), Roberts-Lombard (2002:107), Bryman and Bell (2003:199), and Zikmund and Babin (2010:423) note that there are two major types of sampling design. These are probability and non-probability sampling.

In non-probability sampling the chance of selection of any member of the population being chosen is not known and elements are selected on the basis of personal judgement of the researcher while in probability sampling, every element in the population has a known, non-zero probability of being selected (Zikmund & Babin, 2010:423). Proctor (2000:90) argues that although participants may be selected in a purposeful way under non-probability sampling, it remains statistically impossible to state a true sampling error because the sample is not rigorously chosen. Sampling error occurs because the selected sample is not a perfect representation of the overall population. It represents how accurately the chosen sample's true mean value reflects that of the population (Cooper & Schindler, 2006:96).

Furthermore, if the non-probability sampling method is used, there is the possibility that human judgment would affect the selection process, making some elements of the population more likely to be selected than others. This kind of bias was eliminated through the use of probability sampling.

This study used the probability method and this method is discussed further.

- **Probability sampling**

Unlike non-probability sampling which is arbitrary, (non-random) and subjective, with elements of the population lacking a known non-zero chance of being included in the study, Bryman and Bell (2003:199) define probability sampling as a controlled procedure that assures that each population element is given a known non-zero chance of selection. The fact that a sampling error can be stated in mathematical terms and can be reduced by using a larger sample (Proctor, 2000:90) motivated the researcher to use the probability sampling method.

Probability sampling was used in this study, because as pointed out by Bryman and Bell (2003:199) probability sampling allows the researcher to make inferences from information about a random sample to the population from which it is selected. This implies that findings derived from a sample can be generalised to the population. With probability sampling, there is substantial confidence that the sample is representative of the population from which it is drawn.

5.3.2 Selecting a probability sampling technique

Proctor (2000:92), Roberts-Lombard, 2002:104; Cooper and Schindler (2003:52), Cant *et al.*, (2005:165) and Zikmund and Babin (2010:426) identified four major techniques of probability sampling. These are systematic sampling, stratified sampling, cluster sampling and simple random sampling.

Because of the weaknesses of other probability sampling techniques, the researcher applied the simple random sampling technique to select respondents from the population. The simple random sampling technique is discussed below.

- **Simple Random Sampling**

With simple random sampling, each member of the population has a known and equal probability of inclusion in the sample (Proctor, 2000:92; Cant *et al.*, 2005:168; Zikmund & Babin, 2010:426; Iacobucci & Churchill, 2010:287). In using the simple random sampling technique, the researcher assigned each member of the sampling frame a number before selecting sample units randomly (Cant *et al.*, 2005:168).

Simple random sampling is simple to apply, in that a random sample is chosen from a population without any order. Furthermore, data analysis is reasonably easy and has a sound mathematical basis. The sample was obtained from all elements of the population. The availability of a sampling frame from the ECDC allowed the use of simple random sampling technique.

5.3.3 Determining the sample size

The sample size is the total amount of elements included in the research (Cant, *et al.*, 2005:163). The sample size ought to be big enough to ensure that reliable and valid conclusions can be made about the population. In order to get accurate results from a study, statisticians recommend that a sample size larger than 40 is ideal, even though it might not apply to all studies. Cant *et al.*, (2005:163) state that even though the sample size will increase for more important decisions, and where more information needs to be collected from more respondents, this however increases the costs. The Raosoft sample size calculator was used to calculate the sample size. The Raosoft sample size calculator is statistical software that enables researchers to determine the sample size given the following variables:

- **The margin of error**

The margin of error, also known as the confidence interval, is the amount of error that can be tolerated. It measures the precision with which an estimate from a single sample approximates the population value. The margin of error ranges from 3% to 7% in business research, with 5% being the most commonly accepted. A lower margin of error requires a larger sample size. In this study, the researcher used a 5% margin of error.

- **The confidence level**

The confidence level is the amount of uncertainty that can be tolerated. It is the estimated probability that a population estimate lies within a given margin of error. The confidence level can also be described as the probability that the results will be correct (Cooper & Schindler, 2006:478). A higher confidence level requires a larger sample size. The confidence interval in business research varies from 90%

to 100%, with 95% being the most commonly accepted. The researcher used a 95% confidence level in this study.

- **The expected response distribution**

Most of the time, the proportion (or percentage) of a sample that will choose a given answer to a survey question is unknown, but it is necessary to estimate the number, since it is required for calculating the sample size. If the researcher does not know whether the population is skewed highly one way or the other, Raosoft (2011) recommends that 50%, which gives the largest sample size, be used in calculating the sample size.

The statistical software considered a conservative estimate of 50% when calculating the sample size. This is also considered the most conservative estimate because it is associated with the largest sample size. Thus, when determining the sample size needed for a given level of accuracy, the most conservative estimate of 50% should be used because it is associated with the largest sample size (Statistics South Africa, 2009).

For purposes of this study the sample size was calculated using a Raosoft sample size calculator. Seeing, the total population was four hundred and twenty (420), the sample size calculated, was two hundred and one (201) elements. In calculating the sample size, the researcher used the 95% confidence level, a response distribution of 50% and a margin of error of 5%.

5.4 DATA COLLECTION METHOD

Data can be collected either using primary data collection methods or secondary data collection methods. Secondary data collection can also be termed desk research. The two data collection methods are discussed in sections that follow.

5.4.1 Secondary data collection

According to Cant *et al.*, (2005:66) and Iacobucci and Churchill (2010:142), secondary data is data or statistics that already exists. The data have been gathered or collected for other research purposes but may help resolve existing research problems (Cant *et al.*, 2005:66; Iacobucci & Churchill, 2010:592). Cant *et*

al., (2005:66) asserts that the secondary data that the researcher wants to use must be evaluated to determine whether the data fits the specific research problem. The researcher made use of academic journal articles, published books, organisational websites and also dissertations of related research studies conducted by others previously. Information provided by businesses, government sources, commercial marketing research firms and computerised databases was also used by the researcher in an extensive literature review that was covered in the previous chapters.

To evaluate secondary data, the researcher has to be aware of the advantages and limitations of secondary data (Cant *et al.*, 2005: 66). Advantages and limitations of secondary data as identified by Cant *et al.*, (2005) are listed in the table 5.1.

Table 5.1: Advantages and limitations of secondary data

| Advantages of secondary data | Limitations of secondary data |
|----------------------------------------------------------------------|-------------------------------------------------------------------------|
| Is very available | Was not designed for the research problem at hand |
| Is collected faster than primary data | Is not necessarily applicable to the population of the current research |
| Is collected less expensively and with less effort than primary data | Can be outdated |
| Enhances the collection of primary data | Can be inaccurate or even inadequate |
| Can be more accurate than primary data | |

Source: Researcher's own compilation

From the above table, it can be noted that in as much as there are advantages in using secondary data, there are also disadvantages. This therefore means maximum care is needed when using secondary data sources.

5.4.2 Primary data collection

After conducting secondary research, the researcher proceeded to collect primary data. This was because secondary research was insufficient to answer the research problem (Cant *et al.*, 2005:49). This section describes the actual gathering of data from the respondents. Data collection was done by the researcher who delivered the questionnaires to respondents and obtained names and telephone numbers of respondents to follow up on the completion of the questionnaires. The method used to collect primary data is discussed in the section that follows.

5.4.2.1 Primary data collection method

Basic primary data collection methods can be in the form of observations, experiments and surveys (Cant *et al.*, 2005:87, Zikmund & Babin, 2010:64). This study used the survey method which is discussed below, because other methods of primary data collection, such as observation and experiment were not appropriate to collect data to investigate the research problems.

In survey research, researchers interact with respondents to obtain information. Cant *et al.*, (2005:89) point out that surveys are used to collect primary data from respondents *via* mail, telephone or in person. Surveys can be used to identify the characteristics of the target population. Survey research is mostly done in a structured manner using questionnaires. Zikmund and Babin (2010:64) described a survey as a research technique in which information is obtained from a sample in some form.

The advantages of using surveys are that surveys offer quick, inexpensive, efficient and accurate ways of gathering information (Cant *et al.*, 2005:89). The other advantage of the survey method is that surveys are useful in describing the characteristics of a large population. No other method of data collection can provide this general capability.

5.5 RESEARCH INSTRUMENT

The researcher used the survey method by way of self-administered questionnaires. Self-administered questionnaires are research questionnaires

personally delivered to the respondent by the researcher, but completed by the respondent with no outside involvement (Cooper & Schindler, 2006:381). The researcher used self-administered questionnaires because they:

- ensure anonymity and privacy of the respondents thereby encouraging more candid and honest responses;
- have proved to have a higher response rate than other data gathering techniques such as mail surveys; and
- are less expensive than other data gathering methods such as personal interviews where the researcher must be present with respondents at all times (Cooper & Schindler, 2006:281).

Questionnaires are the most common instruments that are used in marketing research (Cant *et al.*, 2005:147). Cant *et al.*, (2005:147) define a questionnaire as a formalised set of questions for obtaining information from respondents. A questionnaire can further be described as a booklet of structured standardised procedure, pre-coded and containing open-ended as well as closed questions at times that are used to collect information from the respondents who record their own answers. It can also be regarded as a data-collection instrument that sets out the questions to be asked in a formal way in order to produce the desired information.

Cant *et al.*, (2005:147) outline the objectives of a questionnaire. These include that:

- a questionnaire should translate the needed information into questions that can be answered by respondents;
- it must be designed in a way that will not discourage potential respondents from participating in the study; and
- a questionnaire should minimise the response errors.

A questionnaire is advantageous because of the range of information that can be collected, the low costs of administering it, and the effort required to collect the

data (Cooper & Schindler, 2003:48). Good questionnaires enable researchers to collect reliable and valid information. The reasons to use questionnaires include that they help to ensure that information from different respondents is comparable, they increase the speed and accuracy of recording, they facilitate data processing, they are economic in terms of money and time; and they enable the respondents to remain anonymous and thus be honest in their responses (Cooper & Schindler, 2003:48).

However, the questionnaire also has the disadvantage that respondents might ignore it and not complete it at all and in certain cases there will be missing values, but it should mainly be designed to yield the most accurate answers.

5.5.1 Questionnaire design

According to Zindiye (2008:131), questionnaire design refers to the appearance and layout of the questionnaire. The layout and appearance of the questionnaire is important in any survey where the questionnaire is to be completed by respondents (Loubser, 1999:287; Sekeran, 2003:236; Malhotra, Hall, Shaw & Oppenheim, 2008:225).

The layout of the questionnaire was kept simple to encourage the participation of respondents. The questions were also kept as concise as possible with care taken to the wording and phrasing of the questions. The types of questions that were asked and the contents of each section of the questionnaire are discussed in sections that follow.

5.5.1.1 Types of questions

Cant *et al.*, (2005:150) point out that there are two types of survey questions from which to choose. These are open-ended and closed-ended.

For open-ended question format, respondents use their own words to respond to certain questions and statements. Open-ended questions are ideal when the researcher is doing exploratory research and does not know the possible responses to questions or statements. The researcher limited the use of open-ended questions because they are difficult to code and analyse quantitatively.

Closed-ended (structured) questions specify the permitted responses and make information available to respondents. For self-administered questionnaires, respondent cooperation is improved if the majority of the questions are structured. The questionnaire used by the researcher comprised structured questions which made it easy for the respondents to indicate their views. Cooper and Schindler (2003:45) note that every answer can be given a number or value so that statistical interpretation can be made. Closed-ended questions are also better suited for computer analysis. Closed-ended questions take less time from the interviewer, the participant and the researcher, and so is a less expensive survey method.

Cant *et al.*, (2005:152) stipulate that closed-ended questions include dichotomous questions and multiple choice questions such as ordinal questions and scaled questions. Dichotomous questions only have two response alternatives such as yes or no or male or female. Ordinal questions were used by the researcher to rank the importance attached to variables relating to entrepreneurship education as well as the performance of SMMEs. Ordinal, also referred to as rank order scales, require the respondents to rank objects that are presented to them simultaneously according to some kind of criteria. In ordinal questions, the number assigned to the answer category has meaning. The answer categories are ranked from highest to lowest (or lowest to highest).

In this study, the questionnaire was divided into five sections, namely, section A, B, C, D and section E. The questionnaire was designed in a way that ensured that responses were reliable. Each section of the questionnaire is described and discussed in the following sub-sections.

5.5.1.2 Questionnaire: Section A

Proctor (2000:157) explains that general information should be asked in a questionnaire to obtain basic information about the respondents. In conducting his study in Zimbabwe, Zindiye (2008:147) also asked aspects that are related to the enterprise, such as gender, age, educational qualifications and period of operating in order to obtain important basic information about the respondents.

The first part of the questionnaire (Section A) focused on general information. The general information included gender of respondents, position of respondents in businesses, age, years in business, number of employees employed, industry and the highest level of educational qualification of the respondent. It is in this section that the researcher asked whether the respondents received entrepreneurship education and who offered it. General information which includes demographic data was asked to obtain basic information about respondents.

5.5.1.3 Questionnaire: Section B

The second part of the questionnaire asked questions about the relationship between entrepreneurship education and performance of SMMEs. Respondents were asked to give (rank) their opinion on how they think entrepreneurship education can impact on performance indicators of SMMEs. This section is important for this study because it is related to the primary objective which seeks to investigate the impact of entrepreneurship education on the performance of SMMEs.

5.5.1.4 Questionnaire: Section C

The third part of the questionnaire focused on how entrepreneurship education can improve the skills of SMME owners and managers. This is important for it will enable the researcher to achieve one of the secondary objectives of this study.

5.5.1.5 Questionnaire: Section D

The fourth part of the questionnaire asks questions about the relationship between entrepreneurship education and the profitability of SMMEs.

5.5.1.6 Questionnaire: Section E

The last part of the research instrument focused on entrepreneurship education as a solution to challenges faced by South Africa today. This included their opinions on the way entrepreneurship education can ultimately contribute to employment creation, poverty eradication and economic growth.

5.5.2 Questionnaire distribution

Questionnaires were distributed by the researcher moving from one business to the other. Only SMME owners and managers who had been selected randomly from the sampling frame completed the questionnaires. The questionnaires were completed by the respondents without interference by the researcher although he was there to assist in cases where the respondents had questions or needed clarification. Validity and reliability of the questionnaire were ensured before the questionnaire was distributed.

5.6 VALIDITY AND RELIABILITY

There is always a chance that some questions could cause problems, hence questionnaire testing is needed to identify and eliminate such problems (Sudman & Blair, 1998:300; Sattari, 2007:54). This gives rise to the need to ensure validity and reliability.

Reliability was also enhanced by using the supervisor of this study to review the questionnaire for question phrasing and sequencing, and also by consulting a statistician. The fact that open-ended questions were minimised in the questionnaire, also enhanced reliability of the questionnaire.

For a research instrument to be reliable, it has to produce valid results. Cooper and Schindler (2006:352) state that reliability is a necessary contributor to validity but it is not a sufficient condition for validity. This means that validity also has to be assured when conducting research.

This study used the Cronbach's alpha as a measure of reliability. This is a test for survey's internal consistency. Cronbach's alpha can also be referred to as the scale reliable test for it measures how well individual items in a scale correlates with other items.

Cronbach's alpha coefficient ranges in value from 0 to 1. The higher the score, the more reliable is the generated scale. Seventy (70%) of the questions passed the alpha test at design stage and 30% failed. This led to a redesigning and pre-testing of the questionnaire until questions that had initially failed finally passed the

alpha test. The results for the reliability test performed are shown in table 5.2 on the next page.

Table 5.2: Reliability statistics

| Cronbach's Alpha | Number of Items |
|-------------------------|------------------------|
| .831 | 28 |

The table above shows the reliability results with a Cronbach's alpha of 0.831. This shows that the questionnaire can collect reliable data. According to Field (2009:675), Cronbach's alpha indicates the overall reliability of a questionnaire and values around 0.8 and 0.7 are good for ability tests.

Reliability and validity are undoubtedly the hallmarks of good measurements and the keys to assessing the trustworthiness of any research study.

Validity refers to whether an instrument actually measures what it is supposed to measure given the context in which it is applied.

To ensure validity, a statistician and the supervisors were consulted to evaluate the research instrument. A statistician was also engaged to carry out statistical tests on the validity of the questionnaire and the results obtained were positive. The questionnaire was pre-tested before it was used to collect data and comprehensive literature review was done. A large sample (far greater than 40) and a margin of error not more than 5% with a confidence interval of 95% also ensured validity.

Validity and reliability can be affected severely by some errors that can occur during research. The errors are discussed below.

5.6.1 Errors

According to Cooper and Schindler (2006:279) errors especially the response and non-response errors can pose a serious threat to the reliability of data. It is the duty of the researcher to minimise these errors and their effect.

Non-response errors occur when the responses of participants differ in some systematic way from the respondents of non-participants. This is usually as a result of the researcher failing to locate or involve the targeted participant (Cooper and Schindler, 2006:279). Roberts-Lombard (2002:117) defined non-response error as the variation between the true mean value of the variable in the original sample and the true mean value in the net sample.

Response errors are the estimated inaccuracies that can be introduced by the researcher, the researcher or the respondents. The researcher may make the error in the design of the instrument or may not properly define the problem and the related information required. Response errors can also occur when the respondent deliberately or mistakenly provides incorrect answers to the survey questions (Cant *et al.*, 2005:183). Cooper and Schindler (2006:279) note that response errors can also be as a result of the participant failing to give a correct or a complete answer.

In conducting this study, errors were dealt with as according to what was explained by Babbie and Mouton (2002:97), this involves:

- using self-administered questionnaires where the researcher and respondents had direct contact;
- repeated visits to the respondents by the researcher;
- carefully constructing and pre-testing the questionnaire that was used to collect primary data; and
- removing sensitive questions from the questionnaire.

In order to ensure that the results of the study were credible, a pilot study was conducted and the questionnaire was pre-tested.

5.6.2 Pilot Test (Pre-test)

According to De Vos, (2002:368), pre-testing of the questionnaire involves trying it out on a small number of people who have characteristics similar to those of the target population.

A pilot study was conducted to pre-test the questionnaire. Pre-testing refers to testing the questionnaire on a small number of the sample of respondents, to identify and eliminate potential harmful questions. The purpose is to ensure that the questionnaire meets the researcher's expectations in terms of information that it obtains.

Pre-testing the research instrument during the survey development stage was done through a pilot study covering 10 respondents. The results of the pre-test led to the test-retest reliability. This reliability measure used the same measurement scale a second time under nearly the same conditions. The correlation between the answers to the first and second tests were then examined and found acceptable. The results of the pre-test led to some corrections to the questionnaire.

5.8 ETHICAL CONSIDERATIONS

Ethics deal with the development of moral standards that can be applied to situations in which there can be actual or potential harm to any individual or a group. They are of particular concern to the researcher because their success is based on public cooperation (Roberts-Lombard, 2002:19).

Researchers have some general obligations to people who provide data in research studies which include the obligation not to harm, force or deceive participants (Chodokufa, 2009:14). Participants should be willing and informed and the data or information they provide must be held in utmost confidence (Tustin *et al.*, (2005).

Ethics were crucial for the successful accomplishment of this research work. This also helped to reduce research errors that could have arose because other people who were supposed to be part of the research have been excluded or refused to participate.

5.9 DATA PREPARATION

This is the process of checking the quality of the data gathered and converting it into an electronic format that can be read and manipulated by computer software (Cant *et al.*, 2005:149; Roberts-Lombard, 2002:149). Data preparation seeks to

ensure that high quality data is available for statistical analysis. According to Roberts-Lombard (2002:149) the quality of statistical results is in most cases the product of careful exercise in the data preparation phase. The steps which were followed in the data preparation process for this study include validation, editing, coding, data entry and data cleaning (Cant *et al.*, 2005:150; Roberts-Lombard, 2002:149). The steps that are followed in data preparation process are discussed separately below.

5.9.1 Data validation

Data validation is the very first stage of data preparation which involves the examination of raw data for the purpose of insuring that information collected is accurate. Validation can be defined as the process of determining, to the extent possible, whether a surveys' interviews or observations were conducted correctly and free of fraud or bias (Cant *et al.*, 2005:187). The purpose of validation is to determine whether any shortcuts were taken during the fieldwork. The goal of validation is mainly to detect interviewer fraud or the failure of the interviewer to follow important fieldwork instructions.

5.9.2 Data editing

Editing involves a critical examination of the completed questionnaire in terms of compliance with criteria for collecting meaningful data, and to deal with questionnaires that are not completed (Cooper and Schindler, 2003:236). The inspection of questionnaires to make modifications or corrections is termed editing (Roberts-Lombard, 2002:150; Cant *et al.*, 2005:151). Editing can also be described as the review of the questionnaires with the objective of increasing precision and accuracy. As a process, editing consists of screening the questionnaires to identify illegible, incomplete, inconsistent or ambiguous questions (Roberts-Lombard, 2002:150; Cant *et al.*, 2005:151). In this study, questionnaires were checked thoroughly for ambiguities, omissions, inconsistencies and other errors.

5.9.3 Data coding

According to Terre Blanche and Durrheim (2002:98), coding involves applying a set of rules to the data to transform information from one form to another. Zindiye (2008:236) further explain coding as the assigning of a number or symbol to the answers so that responses can be grouped into limited categories. Coding was also described by Chodokufa (2009:89) as converting the questionnaire into numeric form in order to allow for quantitative data analysis.

Coding involves assigning numbers or other symbols to answers so that responses can be grouped into a limited number of classes or categories (Roberts-Lombard, 2002:151). The classifying of data into limited categories sacrifices some data but is necessary for efficient analysis. Instead of requesting the word male or female in response to a question that asks for the identification of one's gender, the codes "M" or "F" can be used (Cooper & Schindler, 2006; Roberts-Lombard, 2002:151). The purpose of coding is to transform respondents' answers to survey questions into codes or symbols that can easily be entered into and read by a statistical analysis software package.

In this study, two approaches to coding were done. The first was pre-coding which refers to assigning codes to response options before field work began and hence printing the relevant codes on the questionnaire. Pre-coding was done to dichotomous questions by assigning numbers to possible answers, for example, 1 for Yes and 2 for No. Final coding was done during data preparation to establish a codebook describing each variable in the dataset.

5.9.4 Data entry

Data entry can also be referred to as data capturing which was described by Roberts–Lombard (2002:151) as the transfer of data from any acceptable data collection instrument (questionnaire in this case) into the computer. Cant *et al.*, (2005:161) describes data entry as a process includes the tasks that are involved with the direct input of the coded data into some specific software package that will then be used to manipulate and transform the raw data into useful information. In this study data was entered into Microsoft excel before it was analysed.

5.9.5 Data cleaning

The process of checking coded and entered data for errors before starting data analysis is called data cleaning. Data cleaning is very important especially in cases where data coding and entry has been done manually, as in this case. *Cant et al.*, (2005:163) argues that where data coding and entry has been done manually, there is no doubt that there may be errors. A thorough data cleaning process was done before analysis.

5.10 DATA ANALYSIS

Data analysis is the application of reasoning to understand data that have been gathered (Zikmund & Babin, 2010:66). It is a process of gathering, modelling and transforming data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. This section deals with data analysis procedures. Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. It also includes the interpretation of research findings in the light of the research questions, and determines if the results are consistent with the research hypotheses and theories. The choice of the methods of statistical analysis depends on the type of question to be answered, the number of variables, and, the scale of measurement. The type of question the researcher is attempting to answer is a consideration in the choice of the statistical technique. Based on this factor, the researcher may be concerned about the central tendency of a variable or distribution of that variable. Data analysis for this study included descriptive statistics and Pearson Chi-square test and Independent samples T-test.

Since the question and scale of measurement require that the significance of entrepreneurship education on performance of SMMEs be established, the appropriate method to use to analyse the data was the Chi-square test and the T-test as well as descriptive statistics.

5.10.1 The Chi-square test

Chi-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis. The Chi-square test is used to determine whether there is a significant difference between the

expected frequencies and the observed frequencies in one or more categories. The Chi-square test is always testing what scientists call the null hypothesis. The null hypothesis states that there is no significant difference between the expected and observed frequencies. The alternative hypothesis states they are different. The level of significance (the point at which you can say with 95% confidence that the difference is NOT due to chance alone) is set at 0.05 (the standard for most science experiments.)

5.10.2 The T-test

There are three types of T-test. These include one-sample T-test which is used to compare a sample mean with a known population mean or some other meaningful, fixed value; an independent samples T-test which is used to compare two means from independent groups and the paired samples T-test which researchers can use to compare two means that are repeated measures for the same participants, that is across different measures or across time.

This study used the independent samples T-test which compared the two means from female and male respondents. This is probably the most widely used statistical test of all time, and certainly the most widely known. It is simple, straightforward, easy to use, and adaptable to a broad range of situations. Its utility is occasioned by the fact that scientific research very often examines the phenomena of nature of two variables at a time, with an eye toward answering the basic question: Are these two variables related? If there is alteration of the level of one, will this alter the level of the other? Or alternatively: By examining two different levels of one variable, it is expected that the associated level of the other will be found.

The T-test assesses whether the means of two groups are statistically different from each other. This analysis is appropriate whenever you want to compare the means of two groups (Trochim, 2006). To test the significance, there is need to set a risk level (called the alpha level). In most social research, the "rule of thumb" is to set the alpha level at .05. This means that five times out of a hundred there is a statistically significant difference between the means even if there was none (i.e., by "chance"). There is also need to determine the degrees of freedom (df) for the

test. In the T-test, the degrees of freedom are the sum of the persons in both groups minus 2. Given the alpha level, the degrees of freedom (df), and the t-value, the t-value can be obtained in a standard table of significance to determine whether the t-value is large enough to be significant. If it is, then it can be concluded that the difference between the means for the two groups is different (even given the variability). Fortunately, statistical computer programs routinely print the significance test results and save the researchers the trouble of looking them up in a table.

5.10.3 Descriptive statistics

Gerber-Nel *et al.*, (2005) note that descriptive statistics are used to describe the basic features of the data in a study. Descriptive statistics are used to describe the main features of a collection of data in quantitative terms. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Descriptive statistics help to simplify large amounts of data in a sensible way. Each descriptive statistic reduces a lot of data into a simpler summary. In this study, the following statistical techniques were used (Gerber-Nel *et al.*, 2005).

- The Distribution: This is a summary of the frequency of individual values or ranges of values for a variable. This study used frequencies, mean, standard deviation, tables and graphs.

Frequencies are defined as the number of objects in sets or subsets (Kerlinger, 1986:127). This simply means the number of times a certain answer appears in the data. The mean calculates an average across a number of observations while the standard deviation is the square root of variance around the mean, which in other words, is how well the mean represents the data (Field, 2009:6; Chodokufa, 2009:86).

- Central Tendency: The central tendency of a distribution is an estimate of the “centre” of a distribution of values. The mean and standard deviation are used. The mean or average is probably the most commonly used method of describing central tendency. The median is the score found at the exact middle of the set of values. The standard deviation is a more accurate and detailed

estimate of dispersion. The standard deviation shows the relation that a set of scores has to the mean of the sample.

5.10.6 Cross tabulation

Cross tabulation is produced when two or more variables are juxtaposed (Thomas, 2004:209). This can be described as a more advanced way of representing frequency data. It represents the frequency data in matrix. Cross tabulation was used in this study because it enabled the researcher to explain the meaning of data more easily (De Vos, 2002:15; Chodokufa, 2009:87).

5.10.7 Measuring reliability of the findings

Reliability is concerned with the accuracy, precision, consistency and stability of the measures (Cooper & Schindler, 2006:352). The degree of an instrument's reliability is dependent on its ability to produce the same result when used repeatedly (Cant *et al.*, 2005:188; Cooper & Schindler, 2006:352). Cant *et al.*, (2005:188) state that there are a number of procedures that can be used to assess the reliability of measurement scales used in surveys. The Cronbach's alpha was used to measure reliability in this study.

5.10.8 Validity of the findings

Validity is the extent to which a test measures what the researcher intended to measure (Cooper & Schindler, 2008:289). It can be defined as the extent to which the differences between objects on the characteristics being measured, rather than systematic or random errors (Cant *et al.*, 2005:235).

Table 5.3 on the next page shows the different types of validity were considered during the designing and evaluation of this research study:

Table 5.3: Types of validity

| | |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Face validity | <ul style="list-style-type: none">• refers to the fact the concept being measured is measured appropriately. |
| Criterion validity | <ul style="list-style-type: none">• is associated with establishing measures that help to predict future outcomes in relation to specific criteria (Cooper & Schindler, 2006:350; Iacobucci and Churchill, 2010:256). |
| Content validity | <ul style="list-style-type: none">• refers to the use of measures that incorporate all the meanings associated with a specific concept (Cant <i>et al.</i>, 2005:235; Iacobucci and Churchill, 2010:256).• Content validity also refers to the extent to which measurement scales provide adequate coverage of the investigative questions (Cooper and Schindler, 2006:349). |
| Construct validity | <ul style="list-style-type: none">• is associated with a measure encapsulating indicators that are theoretically sound (Cant <i>et al.</i>, 2005:236).• According to Iacobucci and Churchill (2010:257) construct validity is concerned with the question “does the instrument, in fact, measure what we purport it to measure?” |
| Internal validity | <ul style="list-style-type: none">• refers to whether the cause as contained in the hypothesis, produces the given effect in the research.• The ability of a research instrument to measure what it is supposed to measure need to be assessed (Cooper & Schindler, 2006:349). |
| External validity | <ul style="list-style-type: none">• refers to the extent to which the results of the research can be generalised. Cooper and Schindler (2008:289) mentioned that external validity refers to the data ability to be generalised across persons, settings and time. |

Source: Researcher’s own compilation

Table 5.3 above indicates the different types of validity that has to be assured when conducting a research study. The limitations of this study are discussed in the section that follows.

5.11 LIMITATIONS OF THE STUDY

The study was limited to SMMEs registered in the Buffalo City Metropolitan Municipality. Only SMMEs registered with ECDC participated in this research. Some respondents were not willing to give their full cooperation resulting in some questionnaires not being answered, leading to a sample loss of 19.4%. There were also literacy problems for some SMME owners were not able to read and write.

5.12 CHAPTER SUMMARY

This chapter discussed how the research was conducted. The primary data collection method was a survey using self-administered questionnaires. Simple random sampling technique and the probability sampling method was used to select respondents. Research design used was explained and a justification on why it was used was provided. The findings of this study are presented in the next chapter (Chapter 6).

CHAPTER SIX
RESEARCH RESULTS

6.1 INTRODUCTION

The previous chapter discussed in what way the research was undertaken. The purpose of this chapter is to present and interpret the empirical findings of this research. In interpretation, the immediate results are translated into integrated and meaningful statistics and findings. The findings are proved to be related to the objectives of the research. The success of this study is assured through both the data analysis and interpretation which are carried out in an orderly manner.

6.1.1 Research objectives

The primary objective of this study was to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

The secondary objectives were to:

- investigate the role of entrepreneurship education in improving entrepreneurship skills and knowledge of owner/managers of SMMEs in the Buffalo City Metropolitan Municipality;
- determine the role of entrepreneurship education on the establishment and survival of SMMEs; and
- Identify strategies that can be implemented to improve the performance of SMMEs.

6.1.2 Scope of the study

The study used the quantitative research methodology through the collection of data from SMME owners and managers from the Buffalo City Metropolitan Municipality in the Eastern Cape Province of South Africa.

6.2 RESULTS AND DISCUSSIONS

Data obtained from the questionnaires was analysed and interpreted. The results are illustrated, using tables, graphs and charts. This chapter reveals the responses

on a question-by-question basis. Results from all sections of the questionnaire are also compared to existing empirical evidence to assess consistency.

6.2.1 Preliminary Analysis

Preliminary analysis was done before hypothesis testing. This was done to simplify the process of data analysis. As another step to ensure reliability and validity of the study, the response rate was determined, and descriptive statistics were computed to show both the means and standard deviations. Reliability and validity tests were also made use of.

6.2.1.1 Response rate

Table 6.1 below shows the total and percentage of questionnaires that were sent out, questionnaires that were not answered, SMMEs that were closed or where neither the owner nor manager was available to complete the questionnaire, and questionnaires that were discarded during the process of data editing and cleaning by the researcher.

Table 6.1: Response rate

| Sample | Total | Percentage (%) |
|-----------------|--------------|-----------------------|
| Final sample | 162 | 80.60% |
| Non-response | 11 | 5.47% |
| Unavailable | 15 | 7.46% |
| Discarded | 13 | 6.47% |
| Original sample | 201 | 100.00% |

From table 6.1 it can be seen that a total of 201 questionnaires were sent out to respondents. A hundred and seventy five (175) questionnaires were returned, but only 162 were fully completed. Of the returned questionnaires, 13 were discarded. This means that only 162 questionnaires were analysed. This gave a 80.6% response rate, which is high enough to guarantee accurate results.

6.2.1.2 Descriptive statistical analysis

Data was summarised and presented by making use of descriptive statistics. Tables, charts, graphs and percentages were used in the presentation of the findings. The mean, standard deviation, minimum and maximum values for all scaled questions were also computed and used in the explanation of the findings. The computed values of the means and standard deviations are attached in the appendices section (see appendix B).

6.2.2 Statistical Procedures

This study used SPSS as the statistical software for data analysis. According to Coakes (2005:65) SPSS is software for performing statistical procedures in the social sciences field. SPSS is among the most widely used programme for statistical analysis in social sciences. It is a complete statistical package that is based on a point and click interface. SPSS has almost all statistical features available and widely used by researchers to perform quantitative analysis.

Subsequently, the SPSS package, the Chi-square, T-test, cross tabulation, Pearson Product-Moment Correlation and descriptive statistics were used to analyse data. Validity tests and reliability tests were performed and are presented below.

6.2.2.1 Reliability test

The Cronbach's alpha indicator that was used to test for reliability, indicates the overall reliability of a questionnaire. According to Field (2009:675), the values around 0.7 and 0.8 are good for reliability tests. Reliability tests performed yielded the results that are presented in tables 6.2a and 6.2b on the next page.

Table 6.2a: Reliability test

| | | Number of items | % |
|-------|-----------------------|-----------------|-------|
| Cases | Valid | 158 | 96.9 |
| | Excluded ^a | 5 | 3.1 |
| | Total | 163 | 100.0 |

a. Listwise deletion based on all variables in the procedure.

Table 6.2b1: Reliability test

| Cronbach's Alpha | Number of Items |
|------------------|-----------------|
| 0.831 | 28 |

The Cronbach's alpha of 0.831, which is significantly above 0.7 and 0.8, was obtained in the reliability tests. According to Field (2009:675) the results are reliable.

The results from the respondents are discussed in the sections that follow, starting with Section A which covered general information.

6.3 SECTION A: GENERAL INFORMATION

This is the initial section of the research instrument which served to collect general information relating to issues of gender, position of the respondent in business, age, years in business, size of business in relation to number of employees, industry or sector of the business, highest level of educational qualification, whether respondents ever received entrepreneurship education as well as the year that they started receiving entrepreneurship education.

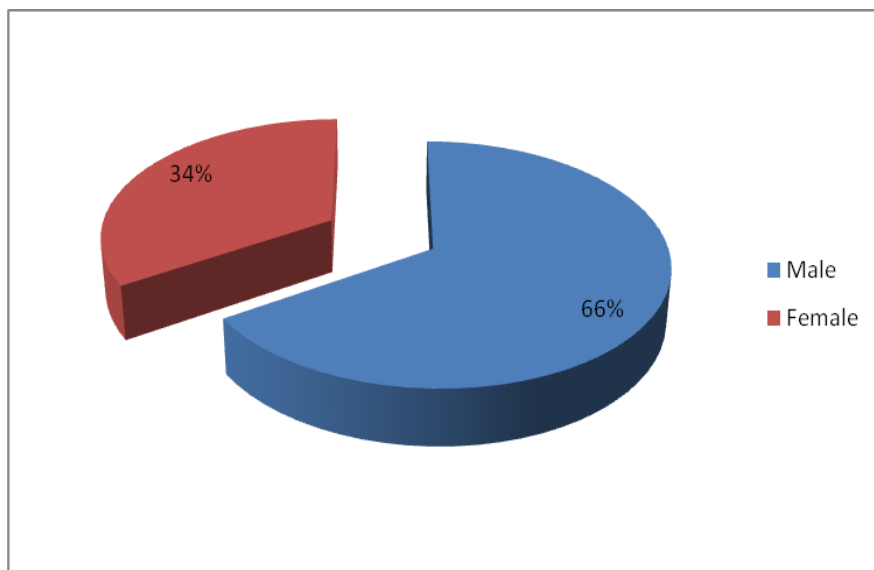
This information was important for classification purposes. General information included demographic information, as described by Hair *et al.*, (2000:158) and Proctor (2000:157) to constitute an essential aspect of research as it provides

basic information about the respondents. Aspects related to the enterprise were described by Zindiye (2008:147) as demographic or general information. General information is analysed question-by-question, starting with the gender of respondents.

6.3.1. Gender of respondents

There was need to determine the gender of respondents to enable the researcher to make demographic inferences concerning the respondents. Figure 6.1 on the next page depicts gender of respondents.

Figure 6.1: Gender of respondents



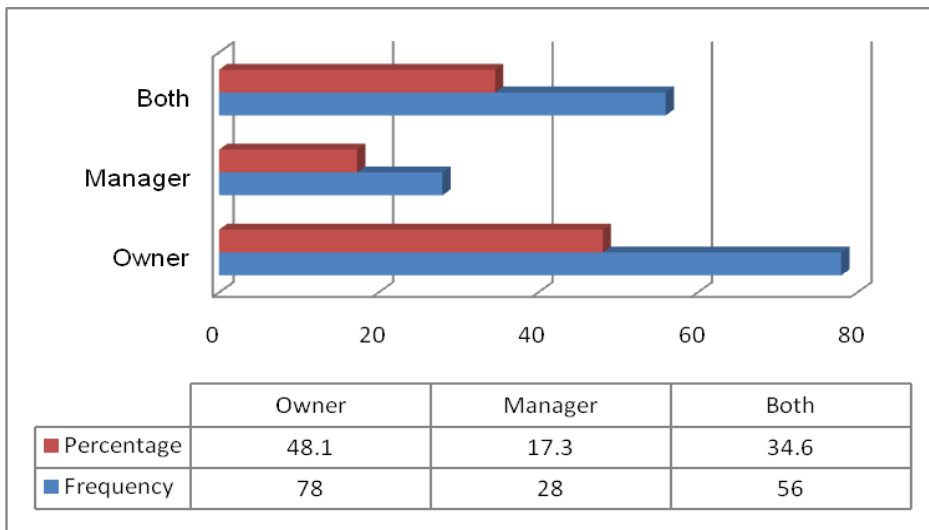
The pie chart above shows that male entrepreneurs constitute 107 (66%) of the respondents while their female counterparts constitute the remaining 55 (34%). The results thus indicate that men are more involved in entrepreneurial activities as compared to their female counterparts. This can also be confirmed by the female Total Entrepreneurial Activity (TEA) index which showed that on average, participation rates of men tend to be 50% higher than those of women (Minniti, 2004). The findings are also in line with the Department of Trade and Industry (2005) report which stated that female entrepreneurs represent 33% of existing businesses and are most affected by SMME failure. This may be related to the challenges that are faced specifically by women entrepreneurs in South Africa. Nieman and Nieuwenhuizen (2009:39) identified personal difficulties, such as

failing to balance business and family responsibilities, negative prevailing socio-cultural attitudes and gender discrimination as challenges that affect women entrepreneurs severely.

6.3.2 Position in business

This study targeted only managers and owners of SMMEs. This was mainly because these individuals are in a position to give a true picture of the trends of their business performance. Figure 6.2 depicts the positions of respondents in their respective businesses.

Figure 6.2: Position of respondents in business



The graph above shows that 78 (48.1%) of the respondents were owners of SMMEs. About 28 (17.3%) were managers and 56 (34.6%) were serving as both the owner and manager of the business. This affirms studies carried out by Mutezo (2005:81) on SMMEs in the Gauteng Province of South Africa where more than 80% of businesses were being managed by their owners. It can be concluded that a significant number of SMMEs in the Buffalo City Metropolitan Municipality are directly managed by their owners.

6.3.3 Age of respondents

It is very important to be aware of the age distribution of the respondents. This will enable the researcher to know whether respondents are old or young (Zindiye, 2008:150). Table 6.3 below shows the age categories of the respondents.

Table 6.3: Age of respondents in years

| Age category | Frequency | Percentage |
|---------------------|------------------|-------------------|
| Below 25 years | 11 | 6.79% |
| 25-30 years | 20 | 12.35% |
| 31-40 years | 70 | 43.21% |
| Above 40 years | 61 | 37.65% |
| Total | 162 | 100.00% |

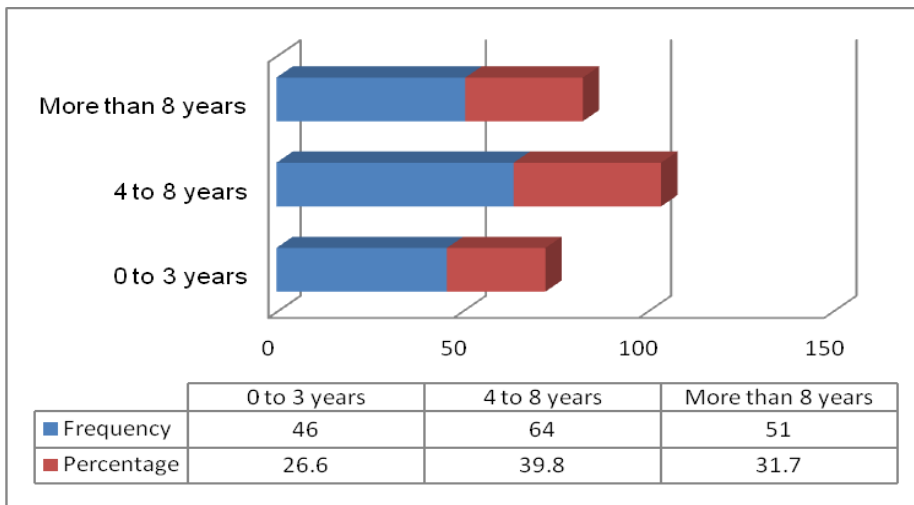
The results as depicted in table 6.3 show that the majority which is 131 (80%) of owners and managers of SMMEs in the Buffalo City Metropolitan Municipality are above 30 years of age and this can be related to the general age of business ownership in South Africa.

The findings of the study done in America by Muijanack, Vroonhof and Zoetmer (2003:6) determined that the optimum age for entrepreneurs was 25-35. However, in this case, only 20 (12.3%) of the respondents in that category are actively involved in entrepreneurial activities. It can be concluded that the majority of South African youths are not actively involved in entrepreneurial activities. This is further supported by Von Broembsen *et al.*, (2005:36) who stated that the South African youth do not believe they have skills to start a business, and only 35% of young men believe they have the skills to start businesses. This is said to compare very poorly with the statistics indicating that 70% of young men in Brazil and 60% of young men in India believe they have the required skills to run businesses (Von Broembsen *et al.*, 2005:36)

6.3.4 Years in Business

It is of importance to bear knowledge of the years that the businesses had been operating. Figure 6.3 on the next page depicts the number of years SMMEs have been in business.

Figure 6.3: Years in business

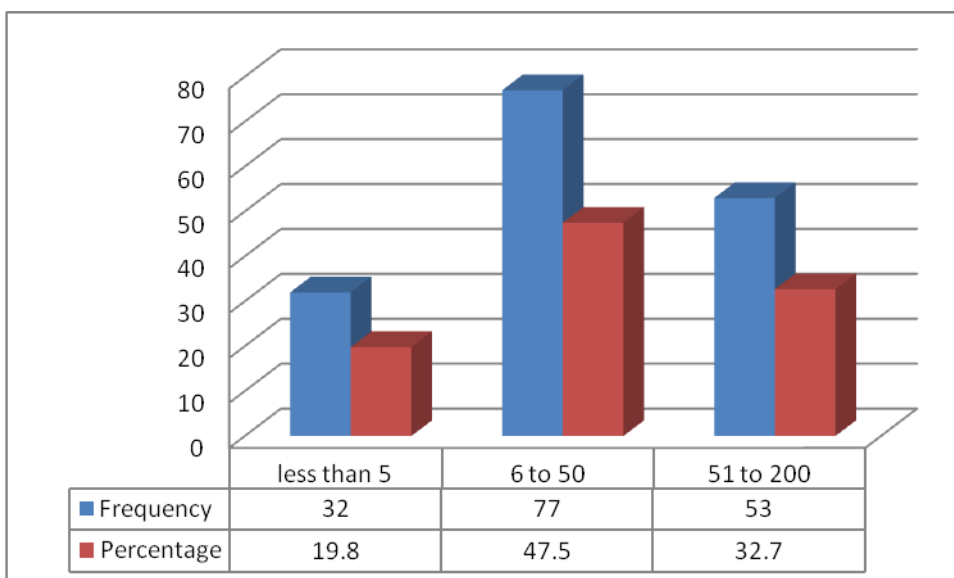


The graph above shows that 46 (26.6%) of the SMMEs have been operating for less than 3 years. Forty percent 64 (39.9%) have been in business for 4 to 8 years and the remainder have been in business for more than 8 years. This shows that 115 (71.5%) of the businesses that participated in this research have survived for more than three years and are now established firms. These results differ with the findings of Fatoki and Garwe, (2010:731) and Von Broembsen *et al.*, (2005:21) who found that the majority of SMMEs fail within three years of operation.

6.3.5 Number of employees

Figure 6.4 depicts the number of people employed in different SMMEs.

Figure 6.4: Number of employees



The graph on the previous page shows that 32 (19.8%) of the respondents were either managers or owners of micro businesses, while 77 (47.5%) operated small enterprises. The remaining 53 (32.7%) were either owners or managers of medium enterprises. The respondents were fairly distributed among all the three categories as specified by the National Small Business Act of 1996.

Determining the number of employees of each SMME, helped to determine the size of the business. The National Small Business Act of 1996 as amended in 2003, categorises small businesses into small, micro and medium enterprises using the number of employees, as well as other factors such as, profits. According to this Act, businesses with 5 employees or less, are classified as micro enterprises. Those with 6 to 50 are regarded as small enterprises and those with above 50 but less than or equal to 200 employees are classified as the medium enterprises. It was crucial to determine the number of people employed in each business to be able to classify the business ventures into either small, medium or micro businesses.

6.3.6 Industry or sector of the business

Since this study focused on SMMEs in different industries, it was important to determine how different industries were represented. Table 6.4 below shows the industries from which the respondents to this study were drawn.

Table 6.4: Industry or sector of the business

| Industry | Wholesale and retail | Construction | Manufacturing | Service | Total |
|-------------------|-----------------------------|---------------------|----------------------|----------------|---------------|
| Percentage | 38.9% | 11.7% | 19.1% | 30.3% | 100% |
| Frequency | 63.00 | 19.00 | 31.00 | 49.00 | 162.00 |

The table above shows that 63 (38.9%) of the respondents were in the wholesale and retail sector, with 19 (11.7%) who were in the construction industry and 49 (30.3%) were in the service sector. SMMEs in the manufacturing sector constituted only 19.1%. This shows that the majority of SMME owners and managers who participated in this study are in the trading sector.

6.3.7 Highest educational qualification

To effectively determine the impact of entrepreneurship education on business performance, it was crucial to seek the highest educational qualifications of the respondents. This was also important in determining whether they understood the importance of education in running a business. Table 6.5 below shows the highest educational qualifications of the SMME owners and managers that participated in this study.

Table 6.5: Highest educational qualifications

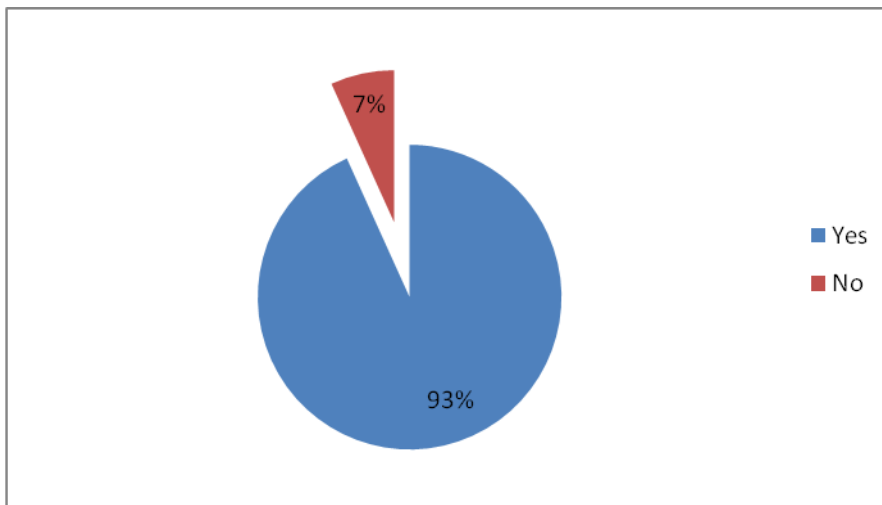
| Level of education | Frequency | Percentage |
|---------------------------|------------------|-------------------|
| Masters degree and above | 13 | 8.0% |
| Bachelors degree | 45 | 27.8% |
| Diploma | 41 | 25.3% |
| Certificate | 32 | 19.8% |
| High school | 12 | 7.4% |
| Primary school | 17 | 10.5% |
| Non-formal | 2 | 1.2% |
| Total | 162 | 100% |

Table 6.5 above shows that the respondents had different levels of educational qualifications ranging from non-formal to a masters degree and above. It is clear from the table that 131 (80.9%) of the respondents have post-secondary qualifications. These results are consistent with the findings of Shafeek (2006:101) on SMMEs in the Eastern Cape Province, where more than 70% of the respondents had a post secondary qualification.

6.3.8 Received entrepreneurship education

The aim of this study is to investigate the impact of entrepreneurship education on performance of SMMEs. A question on whether the respondents ever received entrepreneurship education was asked. Figure 6.5 on the next page shows the respondents who received entrepreneurship education.

Figure 6.5: Received entrepreneurship education



The figure 6.5 above indicates that the majority (93.2%) of the respondents received entrepreneurship education. Only 11 (7%) of the 162 respondents confirmed that they never received entrepreneurship education, although some had higher educational qualifications. It can be concluded that the majority of the SMME owners and managers in the Buffalo City Metropolitan Municipality received entrepreneurship education at some time in their lives, and it is important to know who offered entrepreneurship education to them.

6.3.9 Institution that offered entrepreneurship education

A question was asked to determine the institution or organisation that offered entrepreneurship education to SMME operators in East London and King Williams Town. This was important for it helped to determine the organisations that support the success of the SMME sector in the Eastern Cape Province of South Africa. Table 6.6 on the next page depicts the institutions and organisations that offered entrepreneurship education to 151 respondents that received entrepreneurship education.

Table 6.6: Institutions that offered entrepreneurship education

| Institution | Frequency | Percentage |
|---------------------|------------------|-------------------|
| Universities | 74 | 49.0% |
| Colleges | 39 | 25.8% |
| Government agencies | 38 | 25.2% |
| Total | 151 | 100% |

Table 6.6 above indicates that entrepreneurship education was offered to SMME operators in the Buffalo City Metropolitan Municipality by universities, colleges and government agencies. Universities account for 74 (49%) of all the respondents who received entrepreneurship education, followed by colleges accounting for 39 (25.8%) of all the respondents who received entrepreneurship education. Government agencies account for 38 (25.2%) of those who received entrepreneurship education.

6.3.10 The period in which entrepreneurship education was received

Another question was also asked to determine the year in which SMME owners and managers who had indicated that they had received entrepreneurship education, had started receiving it. Table 6.7 below shows years in which the respondents started to receive entrepreneurship education.

Table 6.7: Years in which SMMEs started receiving entrepreneurship education

| Period | Frequency | Percentage |
|---------------|------------------|-------------------|
| Before 1990 | 0 | 0.00% |
| 1990-1995 | 27 | 17.88% |
| 1996-2000 | 31 | 20.53% |
| After 2000 | 93 | 61.59% |
| Total | 151 | 100.00% |

The table above shows that SMME owners started receiving entrepreneurship education after 1990, and the number had been increasing ever since. The majority, 93 (61.59%) of respondents indicated that they only started receiving

entrepreneurship education after the year 2000. These findings are supported by Nieman (2001:5) and Kroon (2001:172) who mentioned that the presentation of entrepreneurship as part of business management started at the beginning of 1990s in South Africa, although it had started in the 1970s in the United States of America. The results are also in line with the findings of Co and Mitchell (2005:10) in which it was shown that entrepreneurship education is still in its early stages of development even though some tertiary institutions have been involved since the 1990s.

The following section, (Section B), discusses the impact of entrepreneurship education on certain performance indicators of SMMEs.

6.4 SECTION B: ENTREPRENEURSHIP EDUCATION AND PERFORMANCE OF SMMEs

Since the main objective of this study is to investigate whether entrepreneurship education actually has an impact on the performance of SMMEs, it was important to test the extent to which entrepreneurship education affects performance indicators of SMMEs.

A question was asked to obtain the views of the respondents on the extent to which entrepreneurship education affects sales growth, market share, employment growth, competitiveness, stock management, debtors management, cash management, size of business, success as well as survival of SMMEs. Table 6.8 on the next page shows results on how entrepreneurship education can affect certain performance indicators of SMMEs.

Table 6.8: Impact of entrepreneurship education on performance indicators

| | Strongly Agree n (%) | Agree n (%) | Neutral n (%) | Disagree n (%) | Strongly Disagree n(%) |
|----------------------|-----------------------------|--------------------|----------------------|-----------------------|-------------------------------|
| Sales growth | 53 (33.3%) | 91 (57.2%) | 1 (0.6%) | 11 (6.9%) | 3 (1.9%) |
| Market share | 12 (7.7%) | 142 (87.7%) | 8 (4.9%) | 0 (0%) | 0 (0%) |
| Employment growth | 27 (16.7%) | 83 (51.2%) | 31 (19.1%) | 15 (9.3%) | 6 (3.7%) |
| Competitiveness | 102 (63%) | 42 (25.9%) | 18 (11.1%) | 0 (0%) | 0 (0%) |
| Stock management | 7 (4.3%) | 37 (22.8%) | 101 (62.3%) | 11 (6.8%) | 6 (3.7%) |
| Debtors management | 62 (38.3%) | 49 (30.2%) | 30 (18.5%) | 21 (13.0%) | 0 (0%) |
| Cash management | 100 (61.7%) | 49 (30.2%) | 1 (0.6%) | 6 (3.7%) | 6 (3.7%) |
| Creditors management | 64 (39.5%) | 94 (58%) | 1 (0.6%) | 3 (1.9%) | 0 (0%) |
| Success and survival | 119 (73.5%) | 37 (22.8%) | 6 (3.7%) | 0 (0%) | 0 (0%) |
| Size of business | 38 (23.5%) | 102 (63.0%) | 19 (11.7%) | 3 (1.9%) | 0 (0%) |

The impact of entrepreneurship education on each performance measure or indicator shown in the table 6.8 above is discussed separately on sections that follow.

6.4.1 Impact of entrepreneurship education on sales growth of SMMEs

Sales growth being one of the main indicators of growth can be identified as a performance measure. Investigating the effect of entrepreneurship education on sales growth can ultimately help to tell whether entrepreneurship education is important at all or not.

The results shown on table 6.8, indicate that the majority, 91 (57%) of the respondents agree that entrepreneurship education can affect and improve sales growth of SMMEs. An additional 53 (33%) strongly agree to this notion. It is only 14 (9%) of the respondents who did not agree that entrepreneurship education can have an effect on the sales growth of businesses. Only 1 (0.6%) of the

respondents chose to remain neutral for they had no idea of what it entailed. The mean statistically computed (1.87= 2=agree) showed that respondents generally agree that entrepreneurship education is important for sales growth of SMMEs (see Appendix B). It can therefore be stated that sales growth of SMMEs can be improved through providing and improving entrepreneurship education to SMME owners, managers and the general employees.

6.4.2 Impact of entrepreneurship education on gaining market share

Market share growth can also be used to assess the performance of SMMEs. It is also known that SMMEs that are performing well, usually gain a positive market share (Nieman & Nieuwenhuizen, 2009).

It is illustrated in table 6.8 that it appears that 154 (95%) of the respondents are of the view that entrepreneurship education can help SMME owners and managers to gain a positive market share. The remaining 8 (5%) were neutral and could not agree or disagree. The computed mean (1.98=2= agree) also confirms that SMME owners and managers generally agree that entrepreneurship education is very important if SMMEs are to win competition and gain a relevant market share in today's competitive business world. It thus can safely be concluded that entrepreneurship education has a positive impact on the market share of SMMEs.

6.4.3 Impact of entrepreneurship education on employment growth of SMMEs

As a business grows, it employs more people or put simply, the employment capacity of that business increases. It is in light of this that employment growth has also been identified as a performance indicator.

The results illustrated in table 6.8 shows that 110 (68%) of the respondents agreed that entrepreneurship education can help improve the employment capacity of SMMEs. Close to 31 (19%) of the respondents chose to remain neutral and could not say whether employment capacity is affected or not. Only 21 (13%) of the respondents disagreed to the notion that entrepreneurship education can positively impact employment growth. It can be concluded that SMME operators

agree that entrepreneurship education is crucial in improving the employment capacity of SMMEs.

6.4.4 Impact of entrepreneurship education on competitiveness of SMMEs

A separate question was asked to obtain the views of respondents on the impact of entrepreneurship education on the competitiveness of SMMEs. Competitiveness can be an indicator of performance of firms in which failure to be competitive may reduce chances of survival of a business venture.

The results in table 6.8 shows that the majority, 102 (63%) of the respondents strongly agree to the fact that entrepreneurship education can improve the competitiveness of SMMEs. Only 18 (11%) of the respondents were neutral and could not say whether entrepreneurship education can have an effect on the competitiveness of SMMEs. It can be concluded that the competitiveness of SMMEs can be improved by providing entrepreneurship education to SMME owners and managers.

6.4.5 Impact of entrepreneurship education on stock management of SMMEs

It is accepted that inventory constitutes the current assets of a business. A business venture can fail, due to failure to manage inventory. The ability to effectively manage inventory or stock, also has an impact on the cash flow of a business. The purpose of this question was to obtain the views of the respondents on how entrepreneurship education can improve stock management skills of SMME operators, and ultimately practices of SMMEs. Summarised results for this question appear in table 6.8.

The results presented in table 6.8 shows that the majority, which is 101 (62.3%) of the respondents could not say whether entrepreneurship education can improve stock management practices of SMMEs. It is only 37 (22.8%) of the respondents that agreed that entrepreneurship education can improve stock management practices of SMME owners and managers, with 11 (6.8%) disagreeing, 7 (4.3%) strongly agreeing and the other 6 (3.7%) strongly disagreeing. The mean computed (3= neutral) suggest that the majority of respondents are generally not in a position to tell the impact of entrepreneurship education on stock management practices (see appendix B).

6.4.6 Impact of entrepreneurship education on debtors' management of SMMEs

Debtors are current assets to SMMEs, and they need to be properly managed, for failure can minimise chances of success for the business, due to cash flow problems. The quality of debtors' management could act as an indicator of how a business is performing. Table 6.8 depicts the views of respondents on how entrepreneurship education can assist in improving debtors management in SMMEs operating in the Buffalo City Metropolitan Municipality.

The results presented in table 6.8 show that 62 (38%) of the respondents strongly agreed that entrepreneurship education have an impact and can improve debtors' management in SMMEs. An additional 49 (30%) of the respondents agreed to the notion that the ability to manage debtors by SMME operators can be improved by entrepreneurship education. Only 21 (13%) of the respondents disagreed with this view, with the remaining 30 (18.5%) not indicating whether they agree or disagree. With 68% of the respondents agreeing to the notion, it can therefore be concluded that entrepreneurship education improves the skills of SMME owners and managers to manage debtors.

6.4.7 Impact of entrepreneurship education on cash management of SMMEs

Nieman and Nieuwenhuizen (2009), mention that most SMMEs fail due to problems in managing cash. Table 6.8 shows the views of respondents on the impact of entrepreneurship education on cash management.

The results show that close to 100 (92%) of the respondents agreed that entrepreneurship education can help improve cash management of SMMEs. This includes the management of cash flow which is crucial for the success of the business. The other respondents 12 (8%), did not see the rationale of entrepreneurship education in improving cash flow management. It can be concluded that entrepreneurship education can help in the improvement of cash management of SMMEs.

6.4.8 Impact of entrepreneurship education on creditors' management of SMMEs

Another important factor that can indicate the performance of a business venture, is creditors' management. Failure to manage creditors may lead the business into liquidation or insolvency. Table 6.8 shows summarised views of the respondents on the impact of entrepreneurship education on creditors' management of SMMEs.

The summarised results illustrate that 158 (97%) of the respondents are of the view that entrepreneurship education helps improve the management of creditors. Only 3 (2%) of the respondents disagreed, with 1 (1%), being neutral. It can be concluded from the view of the majority of respondents, that entrepreneurship education can play a major role in improving creditors' management of SMMEs.

6.4.9 Impact of entrepreneurship education on the survival and success of SMMEs

To obtain the general view of respondents on the role of entrepreneurship in increasing the chances of survival and success of SMMEs, this question was asked. Survival and success of SMMEs are broad indicators of SMMEs, and it is very important that they are assessed. Summarised results on the impact of entrepreneurship education on the survival and success of SMMEs are shown in table 6.8.

It is clear from the table that the majority, which is 119 (73.5%) of the respondents, indicated that the success and survival of SMMEs is enhanced by equipping SMME managers and owners with entrepreneurial competencies. An additional 37 (23%) agreed to the notion that entrepreneurship education is very important if SMMEs are to succeed and survive. This brings the percentage of respondents that generally agree that entrepreneurship education is important for SMME survival and success to 156 (96%), meaning that only 6 (4%) of the respondents disagreed. It can thus be accepted that the majority of respondents are of the view that entrepreneurship education plays a critical role in the survival and success of SMMEs.

6.4.10 Impact of entrepreneurship education on the size of SMMEs

Table 6.8 also shows the views of the respondents on the impact of entrepreneurship education on the size of the businesses. The results show that the majority of SMME owners and managers agreed that entrepreneurship education have an effect on the size of their business. The moment SMME owners receive entrepreneurial competences; they seek to grow their businesses, and subsequently, 140 (86%) of the respondents agreed to this notion with only close to 3 (2%) disagreeing. Other respondents, 19 (12%), remained neutral in giving their views. It can be concluded that the size of a business is positively related to the quality and level of entrepreneurship education that the SMME operator has received.

6.4.11 Impact of entrepreneurship education on performance of SMMEs

A question was asked to obtain the opinions of respondents on whether they would indicate that entrepreneurship education had improved the performance of their businesses. This was a direct question which also served as a control question, to investigate whether respondents would give the same responses as they gave when asked about the performance indicators. Table 6.9 below shows the summarised results.

Table 6.9: Entrepreneurship education improves performance of SMMEs

| | Frequency | Percentage |
|--------------|------------------|-------------------|
| Yes | 148 | 91.4% |
| No | 14 | 8.6% |
| Total | 162 | 100% |

The table above shows that 148 (91.4%) of the respondents indicated that entrepreneurship education improves the performance of SMMEs. However, there are other SMME owners and managers who do not see the importance of entrepreneurship education on the performance of SMMEs. It can still be concluded that entrepreneurship education has a positive impact on the performance of SMMEs.

It is important to determine the role of entrepreneurship education in the development and improvement of entrepreneurship skills of SMME operators. The following section (Section C) discusses the importance of entrepreneurship education in improving entrepreneurship skills.

6.5 SECTION C: ENTREPRENEURSHIP EDUCATION IMPROVING ENTREPRENEURSHIP SKILLS

SMME operators were asked to give their views on the extent to which entrepreneurship education could improve entrepreneurship skills. Market awareness, creativity and innovation, flexibility, risk taking, gathering resources, problem solving, technical skills, personal skills and business skills were assessed. The summarised results are illustrated in table 6.10 below.

Table 6.10: The extent to which entrepreneurship education can improve the entrepreneurship skills

| | Strongly Agree (1) n (%) | Agree (2) n (%) | Neutral (3) n (%) | Disagree (4) n (%) | Strongly Disagree (5) n (%) |
|---------------------------|-----------------------------------------|--------------------------------|----------------------------------|-----------------------------------|--------------------------------------------|
| Market awareness | 99 (61.1%) | 48 (29.6%) | 10 (6.2%) | 0 (0%) | 5 (3.1%) |
| Creativity and innovation | 25 (15.4%) | 124 (76.5%) | 11 (6.8%) | 2 (1.2%) | 0 (0%) |
| Flexibility | 6 (3.7%) | 111 (68.5%) | 35 (21.6%) | 10 (6.2%) | 0 (0%) |
| Risk taking | 1 (0.6%) | 160 (98.8%) | 1 (0.6%) | 0 (0%) | 0 (0%) |
| Gathering of resources | 40 (24.7%) | 100 (61.7%) | 1 (0.6%) | 21 (13%) | 0 (0%) |
| Problem solving | 28 (17.3%) | 118 (72.8%) | 12 (7.4%) | 4 (2.5%) | 0 (0%) |
| Technical skills | 74 (45.7%) | 83 (51.2%) | 5 (3.1%) | 0 (0%) | 0 (0%) |
| Personal skills | 65 (40.4%) | 86 (53.4%) | 2 (1.2%) | 8 (5.0%) | 0 (0%) |
| Business skills | 29 (17.9%) | 119 (73.5%) | 7 (4.3%) | 7 (4.3%) | 0 (0%) |

The results appearing in table 6.10 are discussed in the next sections.

6.5.1 Market awareness

Respondents were asked to give their views on the impact of entrepreneurship education on the market awareness of entrepreneurs. Table 6.10 shows the results from the respondents.

The results show that the majority, which is 147 (91%) of respondents agree that entrepreneurship education plays a critical role in improving the market awareness of SMME operators. Only 5 (3%) of the respondents disagreed with this notion. About 10 (6%) were neutral and could not say whether it improves market awareness or not. It can safely be concluded that market awareness of SMME owners and managers can be enhanced through entrepreneurship education.

6.5.2 Creativity and innovation

Creativity and innovation are also important entrepreneurial skills that successful entrepreneurs possess. Respondents' views on the impact of entrepreneurship education on these skills were obtained and the summarised results are shown in Table 6.10.

Table 6.10 shows that 149 (92%) of the respondents agreed that entrepreneurship education improves their creativity and the ability to innovate. It is only 2 (1.2%) of the respondents that are not of the view that this type of education can improve creativity and innovativeness of individuals. It can thus be concluded that creativity and innovativeness of SMME owners and managers can be attributed to entrepreneurship education.

6.5.3 Flexibility

The importance of entrepreneurship education in improving the flexibility of SMME operators was assessed. The results appear in table 6.10.

The results summarised in table 6.10 show that 111 (68.5%) of the respondents agree that entrepreneurship education can help to improve the flexibility of SMME owners and managers. An additional 6 (3.7%) indicated that they strongly agree that flexibility of SMMEs can be improved through entrepreneurship education. Only 10 (6.2%) of the respondents disagreed to this notion with the remaining part

of respondents being neutral. Since the majority agree that entrepreneurship education can improve the flexibility of SMME operators, it can be concluded that entrepreneurship education enhances the flexibility of SMME operators.

6.5.4 Risk-taking

The ability to take calculated risks is another distinguishing feature of entrepreneurs. There was therefore need to determine the extent to which entrepreneurship education can help improve the ability of SMME operators to take risks. The views of the respondents are depicted in table 6.10.

Table 6.10 shows that no respondent disagreed with the notion that entrepreneurship education improves the ability of individuals to take calculated risks, an issue that 161 (99.4%) agreed that entrepreneurship education had a positive impact on the ability of entrepreneurs to take risks. Only 1 (0.6%) of the respondents were neutral and could not confirm that entrepreneurship education is important for improving risk-taking abilities of entrepreneurs. It can be concluded that entrepreneurship education improves the ability of SMME owners to take risks.

6.5.5 Gathering of resources

Resources are very crucial in the operation and success of any business venture. They include human resources, financial resources, technology and also assets. The summarised results on the effect of entrepreneurship education on gathering of resources are depicted in table 6.10.

Table 6.10 also shows that 140 (86.4%) of the respondents agreed that entrepreneurship education was very important in improving the skills and ability to gather resources that are crucial to the running and operating of a business venture. It is only 21 (13%) of the respondents that disagreed with the notion that those with entrepreneurship education can have the ability to gather resources more easily than those without. It can thus be accepted that the ability of entrepreneurs to gather resources can be enhanced through entrepreneurship education.

6.5.6 Problem solving

The ability to solve problems is another entrepreneurial skill that was assessed. Table 6.10 shows the results on the impact of entrepreneurship education in improving the ability of SMME operators to solve problems.

Table 6.10 shows that entrepreneurship education can improve the ability of SMME owners and managers to solve problems. About 146 (90.1%) of the respondents agreed that entrepreneurship education is very important for SMME operators to make wise decisions in solving challenges and reaching solutions. It can be concluded that entrepreneurship education plays a critical role in improving the ability of SMME owners to solve the problems they face in business operations.

6.5.7 Technical skills

The extent to which entrepreneurship education improves the technical skills of SMME owners and managers was assessed. Table 6.10 depicts the results as obtained from the respondents.

Table 6.10 shows that 157 (97%) of the respondents agreed that entrepreneurship education can help improve the technical skills of SMME operators. Only 5 (3%) of the respondents were neutral and none of them disagreed with the notion that entrepreneurship education could improve these technical skills. This leaves no doubt that entrepreneurship education is crucial to the development of technical skills of SMME owners and managers.

6.5.8 Personal skills

Table 6.10 depicts the summarised results of the role of entrepreneurship education in improving personal skills of entrepreneurs and SMME operators. The results show that 151 (93.8%) of the respondents agreed that entrepreneurship education improves personal skills of entrepreneurs.

6.5.9 Business skills

Table 6.10 depicts the summarised results of the views of respondents on the role of entrepreneurship education in improving business skills of entrepreneurs and SMME operators.

The majority, which is 148 (91%) of the respondents, agreed that entrepreneurship education improves business skills of entrepreneurs. Based on these findings, it can be concluded that the development of business skills can be attained through entrepreneurship education.

The findings of this study were in line with what was emphasised by Kunene (2008:62) that entrepreneurial skills, technical skills, business skills and personal skills can be developed through education. These findings are also supported by McClelland (1961:1); Hisrich and Peters (2002:19); Pretorius and Van Vuuren (2003:515); Timmons and Spinelli (2007); Massey (2004:458) who maintain that the skills and knowledge of entrepreneurship can be developed in individuals through education and training.

6.5.10 The need for entrepreneurship education for the successful establishment of SMMEs

Respondents were asked whether entrepreneurship education was necessary for the successful establishment of new ventures in the SMME sector. Table 6.11 depicts the summarised results.

Table 6.11: Entrepreneurship education necessary for the successful establishment of SMMEs

| | Frequency | Percentage |
|--------------|------------------|-------------------|
| Yes | 162 | 100% |
| No | 0 | 0% |
| Total | 162 | 100% |

The table above shows that all respondents agreed that entrepreneurship education is crucial for the successful establishment of SMMEs. It can be concluded that SMMEs operated by owners or managers with proper

entrepreneurial skills, can survive for more years than those who did not receive entrepreneurship education. These findings are in line with the suggestions of Isaacs *et al.*, (2007:613) who suggested that the key to success of establishing SMMEs, is education. This also supports the notion by Nieman and Nieuwenhuizen (2009:12) that successful entrepreneurship is linked to education. Driver *et al.*, (2001:22) also stressed the importance of education in the establishment of entrepreneurial ventures. The results are also supported by the findings of Maas and Herrington (2006:12) that showed that an increase in entrepreneurial activity is highly dependent on effective entrepreneurship education.

6.5.11 The need for entrepreneurship skills and knowledge

A question on whether people who start businesses should have entrepreneurship knowledge and skills, was also asked. Summarised results are shown in table 6.12.

Table 6.12: People who start businesses need entrepreneurship knowledge and skills

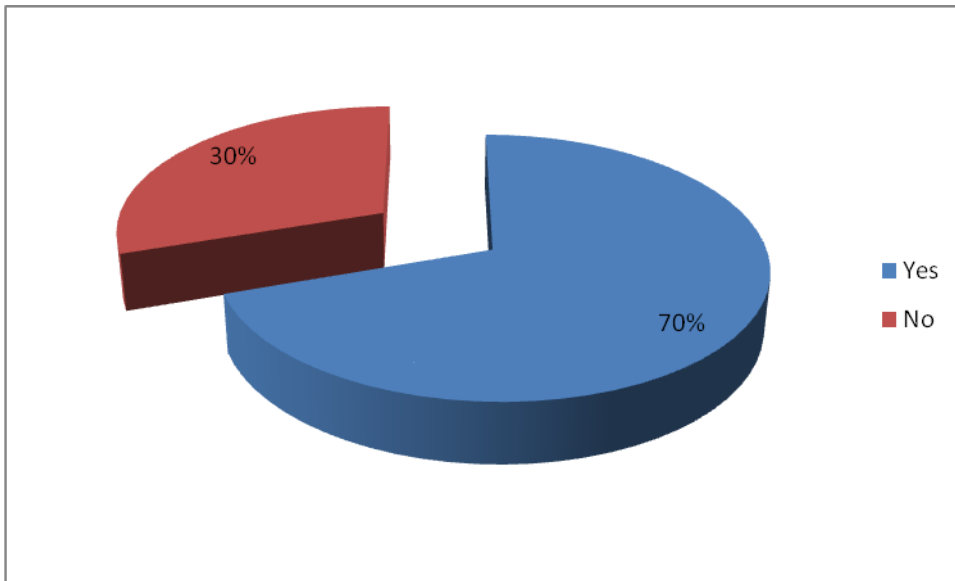
| | Frequency | Percentage |
|--------------|------------------|-------------------|
| Yes | 152 | 93.8% |
| No | 10 | 6.2% |
| Total | 162 | 100% |

The table above shows that 152 (93.8%) of the respondents agreed that for individuals to successfully establish ventures that will survive, entrepreneurship education is crucial. These findings are in line with those of Martin and Staines (2008) who found that lack of managerial and entrepreneurial skills are the main reasons why new ventures fail.

6.5.12 Lack of entrepreneurship education is the prime cause of failure of SMMEs

A question was asked to determine whether lack of entrepreneurship education was the prime cause of SMME failure in the Buffalo City Metropolitan Municipality. Figure 6.6 on the next page depicts the results.

Figure 6.6: Lack of entrepreneurship education is the prime cause of SMME failure



The chart in figure 6.6 above shows that 113 (70%) of the respondents agreed that lack of entrepreneurship education was the prime cause of SMME failure. The respondents, 49 (30%) that did not agree to this notion, mentioned inaccessibility of financial resources as the prime challenge faced by SMMEs. Based on these findings, lack of entrepreneurship education can be said to be the prime challenge faced by SMMEs, followed by inaccessibility of finance.

These results are in line with the findings of Fatoki and Garwe (2010:731) that reported that lack of financial support is the second most reported contributor to SMME failure. Ligthelm and Cant (2003:5) concluded that the limited access to financial resources available to SMMEs compared to larger organisations have negative consequences for their growth and development. The study also confirms the study by Clover and Darroch (2005:238-263) and Mutezo (2003:93) which also identified inaccessibility and lack of financial resources as one of the major obstacles to the growth of SMMEs.

The next section (Section D) covers a discussion on the impact of entrepreneurship education on the profitability of SMMEs.

6.6 SECTION D: ENTREPRENEURSHIP EDUCATION AND PROFITABILITY OF SMMEs

Respondents were asked to respond to the impact of entrepreneurship education on profitability, wealth maximisation of owners and financial growth of SMMEs. The main purpose of this question was to determine the extent to which entrepreneurship education can contribute to the financial performance of a business venture. Profitability, wealth maximisation of owners and financial growth were used as financial performance indicators. Table 6.13 depicts the views of respondents on the impact of entrepreneurship education on profitability, wealth maximisation and financial growth.

Table 6.13: The extent to which entrepreneurship education can affect financial performance of SMMEs

| | Strongly Agree (1) n (%) | Agree (2) n (%) | Neutral (3) n (%) | Disagree (4) n (%) | Strongly Disagree (5) n (%) |
|---------------------|------------------------------------|---------------------------|-----------------------------|------------------------------|---------------------------------------|
| Profitability | 110 (67.9%) | 39 (24.1%) | 13 (8.0%) | 0 (0%) | 0 (0%) |
| Wealth maximisation | 119 (73.5%) | 33 (20.4%) | 10 (6.2%) | 0 (0%) | 0 (0%) |
| Financial growth | 140 (86.4%) | 11 (6.8%) | 0 (0%) | 9 (5.6%) | 2 (1.2%) |

The table above shows that 149 (92%) of SMME owners and managers who participated in this study agree that entrepreneurship education can help improve the profitability of SMMEs. The remaining 13 (8%) were neutral and none of the respondents were of the view that entrepreneurship education cannot improve the profitability of business ventures. A conclusion that entrepreneurship education improves the profitability of SMMEs, can be drawn from these results. These findings are supported by the findings of Olutunla and Obamuyi (2008:198) that proved that entrepreneurship skills and knowledge are important for successful entrepreneurial activity.

Wealth maximisation of owners is the main goal of business ventures. Table 6.13 shows that 152 (93.5%) of the respondents agreed that entrepreneurship education can impact on the wealth maximisation of SMME owners. None of the respondents actually disagreed with the notion that by equipping SMME operators with relevant entrepreneurial skills and knowledge, shareholders or owners' value can be maximised.

From table 6.13, it can also be concluded that entrepreneurship education is also crucial for financial growth of SMMEs. A total of 151 (93.2%) of the SMME owners and managers agreed that entrepreneurship education can help improve the financial growth of SMMEs. Only 11 (6.8%) of the respondents opposed the notion and were of the view that entrepreneurship education has nothing to do with the financial growth of SMMEs.

6.7 SECTION E: ENTREPRENEURSHIP EDUCATION AS A SOLUTION

Entrepreneurship education can be a solution to the challenges that are faced by South African SMMEs. The challenges that were assessed in this section include failure of SMMEs, low employment capacity, poverty and low economic growth. Respondents gave their views on whether entrepreneurship education can ultimately help to reduce the rates of SMME failure, the rate of unemployment as well as that of poverty and low economic growth. Table 6.14 below shows the views of the respondents on the role of entrepreneurship education in helping to solve socio-economic challenges.

Table 6.14: Entrepreneurship education can be a solution to socio economic challenges

| | YES n(%) | NO n(%) |
|-----------------------------------------------------------------------------|---------------------|--------------------|
| Entrepreneurship education can ultimately help reduce failure rate of SMMEs | 160 (98.8%) | 2 (1.2%) |
| Entrepreneurship education can ultimately help reduce unemployment rate | 162 (100%) | 0 (0%) |
| Entrepreneurship education can ultimately help reduce poverty | 150 (92.6%) | 12 (7.4%) |
| Entrepreneurship education can ultimately help improve economic growth | 93 (57.4%) | 69 (42.6%) |

Table 6.14 on the previous page illustrate the views of the respondents on the role of entrepreneurship education in solving some of the real socio-economic challenges faced by South Africans today. The challenges include high failure rate of SMMEs, the high unemployment rates, poverty and low economic growth. These are discussed separately in the sections that follow.

6.7.1 Entrepreneurship education and the failure of SMMEs

Table 6.14 shows that 160 (98.8%) of the respondents agreed that entrepreneurship education can ultimately help to reduce failure of SMMEs. This removes all doubt about the importance of entrepreneurship education, considering the high failure rates of SMMEs in South Africa. These findings are in line with the findings of Von Broembsen *et al.*, (2005) who stated that education can help reduce the problem of SMME failure. This is also supported by Nieman and Nieuwenhuizen (2009:35) as well as Fatoki and Garwe (2010:731).

6.7.2 Entrepreneurship education and unemployment in South Africa

South Africa is experiencing a high unemployment rate (above 25%), together with other African countries. Table 6.14 shows the summarised results of the views of respondents on whether entrepreneurship education can be a solution to reduce the rate of unemployment in South Africa.

The table (6.14) shows that all of the 162 (100%) respondents agree that entrepreneurship education can be a solution to ultimately reduce unemployment in the South Africa. If more people engage in entrepreneurial activities, more businesses will be established; hence more jobs will be created. These findings are supported by Co and Mitchell (2005:2) who stated that the South African economy needs entrepreneurs to address the problem of unemployment. Karimi *et al.*, (2010:35) mentioned that entrepreneurship needs to be promoted, because it creates millions of jobs. According to Nieman and Pretorius (2004:2), the South African government sees the promotion of entrepreneurship as another way of solving unemployment.

6.7.3 Entrepreneurship education and poverty in South Africa

Poverty is another challenge that is faced by many African countries, including South Africa. A question was asked to ascertain the impact of entrepreneurship education in reducing poverty. Table 6.14 depicts the results obtained from the respondents.

The results shows that 150 (92.6%) of the respondents agree that promoting and improving entrepreneurship education can be a solution to ultimately eradicate poverty in South Africa. This is supported by Nieman and Pretorius (2004:2) who stated that promoting entrepreneurship can help eradicate poverty in South Africa.

6.7.4 Entrepreneurship education and economic growth in South Africa

Entrepreneurship is key to economic growth of any country. A question was asked to ascertain the extent to which entrepreneurship education could ultimately improve economic growth of South Africa. Table 6.10 depicts the views of the respondents on the contribution of entrepreneurship education to economic growth.

The results depicted in table 6.14 show that 93 (57.4%) of the respondents agreed that entrepreneurship education can be a solution to improving economic growth in South Africa. On the other hand, 69 (42.6%) of the respondents do not actually agree with the notion that by improving entrepreneurship education, the economic growth of the country can also be improved. It can be concluded that entrepreneurship education is important in enhancing economic growth of this country.

These findings are in line with the results of Karimi *et al.*, (2010:35) and Isaacs *et al.*, (2007:631) that confirmed that entrepreneurship is considered as a significant factor for socio-economic development and it increases economic growth, and it is the responsibility of specific organisations to ameliorate this issue.

6.8 ORGANISATIONS THAT HELP TO IMPROVE THE PERFORMANCE OF SMMEs IN THE BUFFALO CITY MUNICIPALITY

Considering the fact that there are well-established organisations that work for the success of the SMME sector, it was important for this study to determine the extent to which SEDA, Khula, ECDC, the government, universities and other private companies offer assistance to SMMEs in the Buffalo City Metropolitan Municipality. Table 6.15 below shows summarised results on the views of respondents on how these organisations are contributing to the success of SMMEs.

Table 6.15: Organisations helping to improve the performance of SMMEs

| | Not even trying (1) n (%) | Can improve (2) n (%) | Better (3) n (%) | Their best (4) n (%) |
|-------------------------|------------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|
| SEDA | 0 (0%) | 106 (65.4) | 37 (22.8) | 19 (11.7%) |
| ECDC | 0 (0%) | 26 (16%) | 37 (22.8%) | 99 (61.1%) |
| Khula | 0 (0%) | 102 (63%) | 60 (37%) | 0 (0%) |
| The Government | 0 (0%) | 24 (14.8%) | 129 (79.6%) | 9 (5.6%) |
| Universities | 0 (0%) | 69 (42.6%) | 65 (40.1%) | 28 (17.3%) |
| Other private companies | 21 (13%) | 90 (55.6%) | 51 (31.5%) | 0 (0%) |

Results that appear in the table are discussed in the sections that follow.

6.8.1 The extent to which SEDA is helping to improve the performance of SMMEs

A question was asked to obtain views of SMME owners and managers on the role played by SEDA in improving the performance of SMMEs. Table 6.15 shows the

views of the respondents on the extent to which SEDA is helping to improve the performance of SMMEs.

Table 6.15 also shows that respondents admit that the activities of SEDA are visible and that they are working towards the development of the SMME sector. The majority, which is 106 (65.4%) of the respondents, indicated that SEDA is not doing its best to improve the performance of SMMEs and it can improve. About 37 (22.8%) of the respondents were of the view that SEDA is actually better as compared to other institutions when it comes to developing the SMME sector and improving the performance of SMMEs. The remaining 19 (11.7%) of SMME owners and managers pointed out that SEDA is doing its best in improving the performance of SMMEs. A general conclusion then is that SEDA is trying its best in improving the SMME sector in the Buffalo City Metropolitan Municipality, but could still improve from its current performance parameters.

6.8.2 The extent to which the Eastern Cape Development Corporation (ECDC) is helping to improve the performance of SMMEs

Table 6.15 shows that the majority, which is 99 (61.1%) of the respondents, confirmed that ECDC is doing its best in improving the performance of SMMEs. An additional 37 (22.8%) of the respondents mentioned that ECDC contributed to the development of the SMME sector and showed a higher performance of SMMEs than other institutions. The remainder, 26 (16%) of the respondents recommended that ECDC should improve on its strategies working towards improving the performance of SMMEs. From the results obtained, it can be concluded that the ECDC is doing their best to improve the welfare and performance of SMMEs.

6.8.3 The extent to which Khula is helping to improve the performance of SMMEs

Respondents were also asked to express their views on the extent to which Khula is helping to improve the performance of SMMEs. Table 6.15 show the summarised results from the respondents.

The table (6.15) shows that although the majority, which is 102 (63%) of respondents, are of the view that Khula still need to put more effort and have the

potential to improve the performance of SMMEs, while 60 (37%) of the respondents highlighted that Khula is actually playing its part better than other institutions in the country. None of the respondents were of the view that Khula is not even trying, or is doing its best to develop the SMME sector. It is clear, from the respondents' point of view that Khula Enterprise Finance needs to improve on their services if they aim to improve the SMME sector in South Africa.

6.8.4 The extent to which the government is assisting to improve the performance of SMMEs

Respondents also had the opportunity to rate the government in relation to improving the SMME sector. The results in table 6.15 show that the majority of the respondents are of the view that the government is playing its part in the development of the SMME sector. Only 24 (14.8%) are of the view that the government can actually do better than what it is doing. About 129 (79.6%) of the respondents indicated that the government is actually doing better when it comes to improving the performance of SMMEs. About 9 (5.6%) of the respondents are satisfied with government efforts and they indicated that the government is doing all it can to improve the performance of these ventures in South Africa. It can be concluded that the government is trying to render assistance, but a lot still needs to be done if all respondents are to be satisfied.

6.8.5 The extent to which universities are helping to improve the performance of SMMEs

Through their day-to-day activities, namely, teaching and learning as well as research, universities attempt to improve the performance of SMMEs. They also help through their community engagement activities that aim to improve communities in their vicinity. Respondents had the opportunity to express their views on the extent to which universities are helping to improve the performance of SMMEs. The summarised results are depicted in table 6.15.

The table shows that 69 (42.6%) of the respondents were of the view that the universities in the Eastern Cape Province namely, Walter Sisulu University, Rhodes University, Nelson Mandela Metropolitan University and the University of Fort Hare, can do better than they are doing in improving the performance of

SMMEs. About 65 (40.1%) of the respondents however, feel that universities are doing better than the government and government agencies in trying to improve the performance of SMMEs. The remaining 28 (17.3%) of respondents are of the view that it is the universities that are doing their best in attempting to develop the SMME sector in the Eastern Cape Province of South Africa.

6.8.6 The extent to which private companies are helping to improve the performance of SMMEs

Table 6.15 depicts the summarised results from the respondents. The results show that almost 21 (13%) of the respondents disappointingly indicated that some private companies are not even taking part in developing the SMME sector. The majority, which is 90 (55.6%) of the respondents, however, believe that these companies can do better than they are doing. The remaining part of the respondents was of the view that some private companies are actually working hard, and doing their best to improve the performance of SMMEs in the Buffalo City Municipality.

The next section discusses the hypothesis testing. Hypothesis testing is the use of statistics to determine the probability that a given hypothesis is true (Zindiye, 2008:222).

6.9 TESTING HYPOTHESES

The study at hand was conducted to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality in the Eastern Cape Province of South Africa. The hypotheses of this study are:

H₀₁: Entrepreneurship education has no impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

H₀₂: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers.

H₀₃: Entrepreneurship education does not play any role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality.

H₀₄: There is no relationship between entrepreneurship education and the profitability and growth of SMMEs.

Each hypothesis is tested individually in the sections that follow.

Primary Hypothesis

Hypothesis 1: H₀₁: Entrepreneurship education has no impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality

Cross tabulation was performed to determine whether the respondents who received entrepreneurship education would confirm that it had improved the performance of their businesses. Table 6.16 shows that out of 152 respondents that received entrepreneurship education 148 (97.4%) of the respondents confirmed that it did improve the performance of their businesses. Out of 14 (8.6%) respondents who said entrepreneurship education did improve the performance of their businesses, 11 (79%) never received entrepreneurship education.

Table 6.16: Entrepreneurship education and performance of SMMEs

| | | Did Entrepreneurship Education improve the performance of your business | | Total |
|-------------------------------------|-----|-------------------------------------------------------------------------|----|-------|
| | | Yes | No | |
| Received entrepreneurship education | Yes | 148 | 3 | 151 |
| | No | 0 | 11 | 11 |
| Total | | 148 | 14 | 162 |

A Chi-square test of association was performed by cross tabulating two variables namely entrepreneurship education and performance of business. The results of the Chi-square test are shown on table 6.17 on the next page.

Table 6.17: Chi-square tests for Hypothesis 1

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|----------------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 124.757^a | 1 | .000 | | |
| Continuity Correction ^b | 112.651 | 1 | .000 | | |
| Likelihood Ratio | 65.861 | 1 | .000 | | |
| Fisher's Exact Test | | | | .000 | .000 |
| Linear-by-Linear Association | 123.987 | 1 | .000 | | |
| N of Valid Cases | 162 | | | | |

From the results, a Chi-square value of 124.757 and 1 degree of freedom with a probability value of 0.000 was found. Since the p-value (probability) of **0.000 is less than 0.05**, it therefore means that we **reject the null hypothesis** and conclude that Entrepreneurship education does have an impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality.

The Pearson product moment correlation measures the strength and direction of the association between two variables. It is denoted by *r*. Table 6.18 shows the results for the product moment correlation test.

Table 6.18: Strength and direction of entrepreneurship education (EE) and performance

| | | Received entrepreneurship education | Did EE improve the performance of your business |
|-------------------------------------------------|---------------------|-------------------------------------|-------------------------------------------------|
| Received entrepreneurship education | Pearson Correlation | 1 | .878** |
| | Sig. (2-tailed) | | .000 |
| | N | 162 | 162 |
| Did EE improve the performance of your business | Pearson Correlation | .878** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 162 | 162 |

It is shown in table 6.18 that in this case our *r* is **0.878** which means that there is a **strong positive** correlation between entrepreneurship education and the

performance of SMMEs in the Buffalo City Metropolitan Municipality. This proves that the more entrepreneurship education is improved, the more the performance of SMMEs is also improved.

These results are supported by Mutezo (2005:89) who states that the performance of SMMEs is critically affected by the experience, knowledge and skills of the entrepreneur. The results are also in line with the Van Vuuren and Nieman (1999) model which proved that entrepreneurship knowledge and skills are key determinants of entrepreneurial performance. Ucbasaran *et al.*, (2004:440); and Daroch and Clover (2005:325) also support that entrepreneurship skills and knowledge positively affect the performance of SMMEs. This conclusion is in line with many other studies that found a positive impact of entrepreneurship education on the performance of SMMEs. The studies that found this positive impact include, but are not limited to Peterman and Kennedy (2003), Fayolle *et al.*, (2006), Souitaris *et al.*, (2007), and Von Graevenitz *et al.*, (2010:91).

Secondary Hypotheses

Hypothesis 2: H₀₂: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers

Table 6.19 shows the results of cross tabulation between entrepreneurship education and the skills and knowledge of SMME owners and managers.

Table 6.19: Impact of entrepreneurship education on skills and knowledge of SMME owners and managers

| | | Entrepreneurship knowledge and skills are necessary to people who want to start businesses | | Total |
|-------------------------------------|--------------|--------------------------------------------------------------------------------------------|----|-------|
| | | Yes | No | |
| Received entrepreneurship education | Yes | 148 | 3 | 151 |
| | No | 4 | 7 | 11 |
| | Total | 152 | 10 | 162 |

The majority of respondents, 148 (98%) who received entrepreneurship education, agreed that entrepreneurship knowledge and skills are necessary to people who want to start their own businesses. It was also noticed that 7 (70%) of the respondents who indicated that entrepreneurship education has nothing to do with the improvement of entrepreneurship knowledge and skills necessary to entrepreneurs and aspiring entrepreneurs, never received entrepreneurship education.

A Chi-square test of association was performed by cross tabulating two variables namely entrepreneurship education and Entrepreneurship knowledge and skills that are necessary to people who want to start businesses. Table 6.20 below shows the Chi-square test results for this hypothesis.

Table 6.20: Chi-square tests for Hypothesis 2

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|---------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | 67.282 ^a | 1 | .000 | | |
| Continuity Correction ^b | 57.059 | 1 | .000 | | |
| Likelihood Ratio | 31.197 | 1 | .000 | | |
| Fisher's Exact Test | | | | .000 | .000 |
| Linear-by-Linear Association | 66.867 | 1 | .000 | | |
| N of Valid Cases | 162 | | | | |

From the results, a Chi-square value of 67.282 and 1 degree of freedom with a probability value of 0.000 was found. Since the p-value (probability) of **0.000 is less than 0.05**, it therefore means that we **reject the null hypothesis** and conclude that entrepreneurship education improves entrepreneurship skills and knowledge of SMMEs owners and managers.

The results for the strength and direction of the relationship between entrepreneurship education and the improvement of entrepreneurship skills appear in table 6.21 on the next page.

Table 6.21: The Pearson product moment correlation for Hypothesis 2

| | | Received entrepreneurship education | Entrepreneurship knowledge and skills necessary to people who want to start businesses |
|----------------------------------------------------------------------------------------|---------------------|-------------------------------------|----------------------------------------------------------------------------------------|
| Received entrepreneurship education | Pearson Correlation | 1 | .644** |
| | Sig. (2-tailed) | | .000 |
| | N | 162 | 162 |
| Entrepreneurship knowledge and skills necessary to people who want to start businesses | Pearson Correlation | .644** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 162 | 162 |

From table 6.21, it shows that the Pearson product moment correlation denoted by r , is 0.644, which means that there is a **strong positive** correlation between Entrepreneurship education and the improvement of entrepreneurship skills and knowledge of SMME owners and managers in the Buffalo City Metropolitan Municipality. This proves that the more entrepreneurship education is improved, the more the entrepreneurial skills and knowledge of SMME owners and managers are also improved.

The findings of this study are supported by Henry *et al.*, (2003:12) who mentioned that entrepreneurship education enhance entrepreneurship skills and knowledge that is required by entrepreneurs to start their businesses. Alberti *et al.*, (2004:9) also confirms that it is the objective of entrepreneurship education to equip entrepreneurs with entrepreneurship skills.

Hypothesis 3: H₀₃: Entrepreneurship education does not play any role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality.

Table 6.22 on the next page depicts cross tabulation of the responses to the question on the impact of entrepreneurship education on the establishment and survival of SMMEs.

Table 6.22: Impact of entrepreneurship education on the establishment and survival of SMMEs

| | | Establishment and survival of SMMEs | | Total |
|-------------------------------------|--------------|-------------------------------------|-----------|------------|
| | | Yes | No | |
| Received entrepreneurship education | Yes | 106 | 45 | 151 |
| | No | 7 | 4 | 11 |
| | Total | 113 | 49 | 162 |

The above table shows that the majority of SMME owners and managers who participated in this study agreed that entrepreneurship education is important for the successful establishment and survival of business ventures. A significant percentage of respondents who never received entrepreneurship education, admitted that entrepreneurship education plays a critical role in the establishment and survival of small businesses.

Subsequently, a Chi-square test of association was performed by cross tabulating two variables, namely entrepreneurship education and the establishment and survival of SMMEs.

Table 6.23: Chi-square tests for Hypothesis 3

| | Value | Df | Asymp. Sig. (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
|------------------------------------|-------------------|----|-----------------------|----------------------|----------------------|
| Pearson Chi-Square | .209 ^a | 1 | .007 | | |
| Continuity Correction ^b | .014 | 1 | .906 | | |
| Likelihood Ratio | .203 | 1 | .652 | | |
| Fisher's Exact Test | | | | .736 | .438 |
| Linear-by-Linear Association | .208 | 1 | .648 | | |
| N of Valid Cases | 162 | | | | |

From the results in table 6.23, a Chi-square value of 0.209 and 1 degree of freedom with a probability value of 0.007 was found. Since the p-value (probability) of **0.007 is less than 0.05**, it therefore means that we **reject the null hypothesis** and conclude that entrepreneurship education plays a role in the establishment

and survival of SMMEs in the Buffalo City Metropolitan Municipality. Table 6.24 below shows the direction and strength of the relationship between entrepreneurship education and the establishment and survival of SMMEs.

Table 6.24: Correlation between entrepreneurship education and the improvement of entrepreneurship skills

| | | Received entrepreneurship education | Establishment and survival of SMMEs |
|--------------------------------------|---------------------|-------------------------------------|-------------------------------------|
| Received entrepreneurs hip education | Pearson Correlation | 1 | .736 |
| | Sig. (2-tailed) | | .000 |
| | N | 162 | 162 |
| Establishment and survival of SMMEs | Pearson Correlation | .736 | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 162 | 162 |

The Pearson product moment correlation which measures the strength and direction of the association between two variables and denoted by r , is **0.736**, which means that there is a **strong positive** correlation between entrepreneurship education and the improvement of entrepreneurship skills and knowledge of SMME owners and managers in the Buffalo City Metropolitan Municipality. This proves that the more entrepreneurship education is improved, the more the skills and knowledge of SMME owners and managers are also improved.

These findings are in line with the findings of Luthje and Franke (2002), Charney and Libecup (2000), Robinson and Sexton (1994), Nieman and Nieuwenhuizen (2009), and Driver *et al.*, (2001) who also found a positive relationship between entrepreneurship education and firm creation. Maas and Herrington (2006:12) also state that an increase in entrepreneurial activity is highly dependent on entrepreneurship education.

These results are also supported by Isaacs *et al.*, (2007:614) who concluded that the key to the establishment and survival of entrepreneurial ventures in South Africa, is the issue of education. A positive relationship is further supported by

Martin and Staines (2008) who found that a lack of entrepreneurial skills can actually cause SMME failure. It is therefore true that the future of South African entrepreneurship capacity depends on how well people are being equipped with entrepreneurial skills to establish and run their own businesses (Von Broembsen *et al.*, (2005:36).

Hypothesis 4: H₀₄: There is no relationship between entrepreneurship education and the profitability and growth of SMMEs.

A non parametric Chi-squared one–Variable Test was conducted for the above hypothesis to determine whether the number of people in each of the several responses (in line with profitability, wealth maximisation and financial growth) differs from some predicted values. Statistically, the researcher wanted to investigate whether the expected frequencies differ from observed frequencies significantly. Table 6.25 below shows the Chi-square test results.

Table 6.25: Chi-square tests for hypothesis 4

| | The extent to which EE affects profitability | The extent to which EE affects wealth maximisation of owners | The extent to which EE affects financial growth of SMMEs | OVERALL |
|-------------|----------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|----------------------|
| Chi-Square | 93.370 ^a | 122.259 ^a | 327.037 ^b | 138.148 ^c |
| Df | 2 | 2 | 3 | 5 |
| Asymp. Sig. | .000 | .000 | .000 | .000 |

The results illustrated in table 6.25 above, show a Chi-square value of 138.148 with 5 degrees of freedom and a p-value of 0.000 Since the **p-value is less than 0.05** it therefore means that **we reject the null hypothesis** and conclude that there is a relationship between entrepreneurship education and the profitability and growth of SMMEs.

These findings are supported by Mutezo (2005:6) who stated that SMMEs require support if they are to grow. Nieman and Nieuwenhuizen (2009:35) stress that SMMEs that are run by people with entrepreneurial skills and knowledge, are more

successful and make more profit, compared to those that are run by people who lack these crucial skills.

6.9.1 Summary of hypotheses testing

Below appears the summary of hypotheses that were statistically tested, which were:

- H₀₁: Entrepreneurship education has no impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality;
- H₀₂: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers;
- H₀₃: Entrepreneurship education does not play any role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality;
- H₀₄: There is no relationship between entrepreneurship education and the profitability and growth of SMMEs.

A regression analysis which was performed to verify the results also confirmed that all the null hypotheses needed to be rejected. The statistical analysis, using the Chi-square test rejected all the hypotheses. The summarised results of the hypothesis testing are presented in a table 6.26 below.

Table 6.26: Summary of results

| Hypothesis | P value | Chi-square value | Degrees of freedom | Pearson product moment correlation | Decision |
|-----------------------|----------------|-------------------------|---------------------------|-------------------------------------------|-----------------|
| H₀₁ | 0.000 | 124.757 | 1 | 0.878 | Reject |
| H₀₂ | 0.000 | 67.282 | 1 | 0.644 | Reject |
| H₀₃ | 0.007 | 0.209 | 1 | 0.736 | Reject |
| H₀₄ | 0.00 | 138.148 | 1 | - | Reject |

Table 6.26 indicates that all null-hypotheses were **rejected**, indicating that entrepreneurship education positively impacts on entrepreneurial performance.

6.10 CHAPTER SUMMARY

This chapter presented the research findings. The objectives and the hypotheses were revisited. Methods used to analyse data were also explained. The hypotheses were tested, and the conclusions drawn, were related to empirical studies to see whether there is consistence, or lack of consistence. Chapter seven summarises the complete study, gives recommendations and highlights areas that still need further research.

CHAPTER SEVEN

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

Chapter one provided an introduction and background to the study, while Chapter two gave an overview of SMMEs in South Africa and also discussed SMME performance. The role of entrepreneurship on economic growth was discussed in Chapter three, where theories of entrepreneurship theories were also discussed. Chapter four discussed entrepreneurship education. Research methodology, design and techniques were discussed in Chapter five. Research results were presented in Chapter six.

This chapter focuses on the research conclusions related to the objectives and hypotheses of this study. The first part of this chapter provides a summary of the previous chapters of this study. Concluding statements and all the objectives and hypotheses that were formulated for this study are also given. The conclusions are also compared to empirical studies to ascertain their consistency or inconsistency. Limitations of this study and recommendations are addressed in this chapter.

7.2 SUMMARY AND CONCLUSIONS OF THE STUDY

This study's major focus was to investigate the impact of entrepreneurship education on the performance of SMMEs. The study was aimed at investigating the role of entrepreneurship education on the performance of SMMEs, determining the role of entrepreneurship education on the establishment and survival of SMMEs and identifying strategies that can be implemented to improve the performance of SMMEs.

According to Herrington *et al.*, (2009:13), SMMEs and entrepreneurship have attracted researchers' attention in recent years. This is mainly because the SMME sector is regarded as the driving force for economic growth, poverty eradication and employment creation. As already mentioned, SMMEs form the backbone of the South African economy contributing approximately 39% of the Gross Domestic Product, and employing close to 74% of the economically active South Africans. The government of South Africa recognise the importance of developing the SMME sector and promoting entrepreneurship (O'Neill & Viljoen, 2001:38).

Despite the importance of the SMMEs, 75% of South African SMMEs fail within few years of operation (Von Broembsen *et al.*, 2005:20; Nieman & Nieuwenhuizen, 2009:35). It is confirmed that lack of entrepreneurship knowledge and skills is the main cause of failure (Fatoki and Garwe, 2010:731; Herrington & Wood, 2003:1).

Although entrepreneurship education is ranked high on policy agendas of many countries, little research is available to assess its impacts (Von Graevenitz *et al.*, 2010:90). Von Graevenitz *et al.*, (2010:90) noted that the effects of entrepreneurship courses is still poorly understood and the research on entrepreneurship education still has huge gaps. The purpose of this study was to try and close part of this gap.

Better entrepreneurship education can contribute significantly to job creation through the establishment and survival of SMMEs, economic growth and poverty alleviation (Isaacs *et al.*, 2007:613). This therefore means that entrepreneurship education can be a solution to real challenges faced by South Africans today.

Chapter one of this study provided an introduction and background of the study, providing the objectives and also the hypotheses. Chapter two focused on the overview of SMMEs in South Africa. In South Africa, SMMEs are defined in line with the National Small Business Act 102 of 1996. The contributions of SMMEs were looked into and it was found that apart from contributing to the GDP of South Africa, job creation and poverty alleviation, SMMEs also help larger firms and induces competition in the South African Business environment.

Lack of education and training, limited access to financial resources, inaccessibility to markets, lack of support structures and inaccessibility to appropriate technology are some of the challenges that are faced by SMMEs in South Africa.

It was also noted that the performance of SMMEs is of interest to all countries and, Growth and profitability are the main measures of SMME performance. Various models of entrepreneurial performance were identified and discussed. It was noted that the Van Vuuren and Nieman model identified most skills categories that were included by other models. Entrepreneurship skills, motivation and business skills were found to be very crucial for the success of the business.

This study focused on entrepreneurship, economic growth and the theories of entrepreneurship. An entrepreneur is described as an economic agent who establish and grows businesses in the face of risk and uncertainty. Innovation, potential for growth and strategic objectives differentiate entrepreneurial ventures from ordinary small businesses. Although entrepreneurship is different from management, an entrepreneur also needs to possess the skills of both the entrepreneur and of the professional manager.

The roles and functions of entrepreneurs were discussed and related to economic theory. Entrepreneurs can be said to have the roles of a speculator, coordinator, product owner, innovator or decision maker. The contribution of entrepreneurs in the economy of South Africa was emphasised in Chapter three.

Entrepreneurship education was said to be very important in turning the skills and knowledge of entrepreneurs into opportunities. Economic theories of entrepreneurship were discussed and were used to explain the contribution of entrepreneurship to the economic growth of any country.

Chapter four discussed entrepreneurship education. It was noted that entrepreneurship education has been promoted in many educational institutions for it is viewed to be very important in nurturing entrepreneurs. Entrepreneurship education is also recommended as a solution to the challenges faced by South Africa, and Umsobomvu (2002:2) recommended that it should be integrated into the school curriculum at all levels of study.

Important to note is that, entrepreneurship education is still at its early stages of development even though some institutions of higher learning in South Africa have been involved since the 1990s. The objectives of entrepreneurship education were highlighted by Alberti, *et al.*, 2004:8-9; Karimi *et al.*, 2010:37; Tobias & Ingrams, 2010:2; Consortium for entrepreneurship education, 2004:3) and was discussed in section 4.2.3. It also targets different audiences including students, entrepreneurs and aspiring entrepreneurs. There are also benefits and challenges that are associated with entrepreneurship education.

Considering the fact that entrepreneurship education is said to be a key in the successful venture creation the relationship between entrepreneurship education and the performance of SMMEs can be said to be positive.

This study also dealt with research methodology. The aspects of the study, such as research design, variable measures, data collection methods and data analysis was examined in Chapter five. A quantitative research design as well as a survey method was used to collect data from respondents through self- administered questionnaires. The Statistical Package for Social Sciences (SPSS version 19) was used for data analysis.

The research findings received attention in Chapter six. In order to achieve the objectives of this study, the hypotheses were tested are:

- H₀₁: Entrepreneurship education has no impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality;
- H₀₂: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers;
- H₀₃: Entrepreneurship education does not play any role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality; and
- H₀₄: There is no relationship between entrepreneurship education and the profitability and growth of SMMEs.

The statistical analysis by making use of the Chi-square test, rejected all the hypotheses.

7.3 ACHIEVEMENT OF OBJECTIVES

The objectives of the study are divided into primary and secondary objectives. The primary objective was to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality. The secondary objectives included to investigate the role of entrepreneurship education in improving entrepreneurship skills and knowledge of owner/managers of SMMEs in the Buffalo City Metropolitan Municipality, to determine the role of

entrepreneurship education on the establishment and survival of SMMEs and to identify strategies that can be implemented to improve the performance of SMMEs.

The primary objective which established the impact of entrepreneurship education on the performance of SMMEs. Empirical evidence from chapter 3 and 4 shows that, entrepreneurship education have a positive impact on the performance of SMMEs. From the findings of this research, it is also concluded that entrepreneurship education has a positive impact on the performance of SMMEs.

Literature confirmed that entrepreneurship education improves entrepreneurship skills and knowledge of owner/managers of SMMEs. This was also confirmed by the findings of this research. It was also noted in empirical studies (Chapter two, three and four) that entrepreneurship education plays a critical role the establishment and survival of SMMEs. These findings were confirmed by the results of this study.

7.4 OTHER FINDINGS OF THIS STUDY

Other findings of the study include that:

- the majority of SMME owners and managers are above the age of thirty. This shows that very few younger people participate in entrepreneurial activities in the Buffalo City Metropolitan Municipality;
- entrepreneurs can be made. Through entrepreneurship education, one can develop entrepreneurial talent, skills and knowledge can be developed. This totally contradicts the view that entrepreneurs are born;
- entrepreneurship education is very important to South Africans because it can ultimately help reduce the effects of socio-economic challenges;
- male entrepreneurs are 50% more than their female counterparts in the Buffalo City Metropolitan Municipality. Female entrepreneurs constituted only a third of the total entrepreneurs in the Buffalo City Municipality;

- the majority of SMMEs in the Buffalo City Metropolitan Municipality are managed by their owners, and their educational qualifications vary from some without any formal educational qualification, to others who hold degrees equivalent to Masters or above;
- the majority of respondents in the Eastern Cape Province received entrepreneurship education. This was offered to them either by both tertiary education institutions and government agencies;
- SMME operators in the Buffalo City Metropolitan Municipality started receiving entrepreneurship education after 1990;
- entrepreneurship education improves the entrepreneurial skills of SMME operators, hence performance of SMMEs. Entrepreneurship education is also crucial for the establishment, survival, profitability and growth of SMMEs;
- entrepreneurship education can be a solution to ultimately reduce the effects of socio-economic challenges faced by South Africans. The challenges include unemployment, low economic growth, poverty and high failure of SMMEs;
- SEDA, Khula Enterprise Finance, the Eastern Cape Development Corporation (ECDC), the government and Institutions of higher learning are among institutions that support entrepreneurship education and the development of the SMME sector in the Buffalo City Municipality;
- access to finance is another challenge faced by SMMEs in the Buffalo City Metropolitan Municipality.

7.5 THEORETICAL IMPLICATIONS

This study contributes to the literature on the debate of whether entrepreneurs are born or made. The importance of entrepreneurship education to the success of SMMEs and to the economy of the country is proved, thus the results are important to training institutions, governments, government agencies and policy makers. The results also prove that entrepreneurship education can ultimately help reduce the effects of the socio economic challenges faced by South Africans today. The results can therefore be used by the government and government

agencies and policy makers to prioritise resources towards the development of entrepreneurial talent through entrepreneurship education. This study contributes to the success of the SMME sector in the Buffalo City Metropolitan Municipality and Eastern Cape Province in general.

In light of the findings of this study, some recommendations are provided in the following section.

7.6 RECOMMENDATIONS

Based on the findings of this research, some recommendations are suggested to the SMME owners and managers, the government, government agencies, Institutions of higher learning and colleges and other private companies.

7.6.1 Government agencies

Government agencies need to effectively provide services to the people that they ought to serve. They should implement strategies that can help to improve SMME performance in the Buffalo City Metropolitan Municipality. Government agencies should also target youths and empower them to become employment creators rather than ordinary job seekers. It is also suggested that government agencies work hand in hand with the banks to ease access to finance by SMMEs. Government agencies need to do more; instead of just focusing on the provision of resources. They should also equip entrepreneurs with the necessary skills.

Small Enterprise Development Agency (SEDA), Eastern Cape Development Agency (ECDCA), Khula Enterprise Finance and other government establishments should also be well coordinated in the province with their activities closely monitored. They should also be easily accessible to the people that they ought to serve, that is owners and managers of SMMEs.

7.6.2 Government

Considering the role played by SMMEs and entrepreneurs in the Buffalo City Metropolitan Municipality in reducing unemployment and poverty, the government should continuously assess the performance of SMMEs, and help provide resources, where necessary, but in a more sustainable manner. The government

should provide resources in a manner that will not limit the entrepreneurial spirit and create a spirit of dependence. It is recommended that the government come up with other strategies to compliment entrepreneurship education that will help create independent entrepreneurs instead of educated beggars.

The government can achieve this by promoting entrepreneurship education programmes in schools, universities and also through organised workshops. Not only students need to be targeted but also the owner managers of already established SMMEs. Funding entrepreneurship education programmes will also be a useful intervention by the government for the private sector will be reluctant to provide unprofitable services. It remains the role of the government to monitor activities of all other stakeholders that promote entrepreneurship and entrepreneurship education in the Republic.

7.6.2 SMME owners and managers

It has to be noted that SMME operators are responsible for the performance of their SMMEs. SMME operators need to take advantage of entrepreneurship education programmes that are offered by institutions of higher learning and government agencies if they really want to improve the performance of their businesses. SMME owners and managers also need to consider empowering their staff with entrepreneurial skills and knowledge. This will give them higher chances of success.

SMME owner managers should not only wait for services provided free of charge by the government or by government agencies, they should seek entrepreneurship education programmes to improve the possibility of success of their establishments.

7.6.3 Institutions of higher learning

Institutions of higher learning need to play a critical role in providing entrepreneurship education, for they have the expertise and resources to do so. Awareness campaigns need to be carried out at universities and colleges to motivate students to enrol for entrepreneurship courses. Entrepreneurship courses

need to be offered across all disciplines, this means that it should not be limited only to commerce students. There is also a need to market entrepreneurship as another career alternative for students. This will motivate students to start their own businesses and employ other people rather than just becoming job seekers. It is also important that entrepreneurship education by universities and colleges should not be only limited to registered students, it should be extended to the people around university and college communities, through community engagement projects. Institutions of higher learning should teach people in their communities to create economic opportunities for themselves rather than being dependent on employers or the government.

7.6.4 Banks

Banks should help ease the problem of access to finance of SMMEs. They should monitor and assess the potential of SMME operators, rather than only considering collateral security and a deposit that most SMME owners and managers lack. They should also help in improving the knowledge base and skills of SMME owners and managers that will have applied for finance. It is recommended that banks provide financial resources to SMME operators who show potential for success, those with evidence that they have attained a certain level of education, or who have attended an entrepreneurship education course or at least underwent training.

7.6.5 Other private companies

Other private companies, through their corporate social responsibility, should strive to improve the performance of SMMEs. The fact that SMMEs also aid larger firms, means that assisting SMMEs will be an added advantage to larger firms in the Buffalo City Metropolitan Municipality.

SMMEs should not only be seen as potential competitors by other firms (larger) for they also compliment larger firms.

7.7 LIMITATIONS OF THE STUDY

Due to a limited budget, the researcher could not focus on all SMMEs in the Eastern Cape Province. This researcher only focused on SMMEs registered in the

Buffalo City Metropolitan Municipality. Only SMMEs registered with the Eastern Cape Development Corporation participated in this research. There were also literacy problems because some respondents were not able to read and write. Although there was an 80% response rate, it has to be noted that some (20%) of the respondents did not cooperate. Based on the limitations highlighted, the results should be used with caution, especially when generalising to the whole of South Africa.

7.8 CONCLUSION

This study concludes that entrepreneurship education has a positive impact on the performance of SMMEs in the Buffalo City Metropolitan Municipality, and it improves entrepreneurship skills and knowledge of SMME owners and managers. Entrepreneurship education also plays a role in the establishment and survival of SMMEs in the Buffalo City Metropolitan Municipality. The study also concludes that there is a positive relationship between entrepreneurship education and the profitability and growth of SMMEs. Entrepreneurship education is crucial for the establishment and survival of SMMEs.

The study supports the findings of Karimi *et al.*, (2010:377), and Hisrich *et al.*, (2008) who concluded that entrepreneurship education improves the entrepreneurial skills of managers and owners of SMMEs. The study is also in line with the findings of Mutezo (2005:89) and Nieman and Nieuwenhuizen (2009) who concluded that entrepreneurship education positively impacts on the profitability of SMMEs.

Van Vuuren and Nieman (1999), Ucbasaran *et al.*, (2004) and Daroch and Clover (2005) in their models of entrepreneurial performance prove that entrepreneurship education, through the development of entrepreneurial skills and knowledge, have a positive impact on SMME performance. The findings of this study supports various authors who found a positive link between entrepreneurship education and the performance of entrepreneurial ventures (Peterman & Kennedy, 2003; Fayolle *et al.*, 2006; Souitaris, Zerbinati, & Al-Laham, 2007, and Von Graevenitz *et al.*, 2010).

Areas of further research are suggested in the section that follows.

7.9 AREAS OF FURTHER RESEARCH

It is suggested that the same study be carried out at a national level. The effectiveness of the teaching methodologies or pedagogy used in entrepreneurship education in the Buffalo City Metropolitan Municipality needs to be assessed. The effectiveness of government support to SMMEs in the Buffalo City Metropolitan Municipality also needs to be assessed. It is also important that the impediments to youth entrepreneurship in the Buffalo City Metropolitan Municipality are investigated.

7.10 CHAPTER SUMMARY

This chapter covered the conclusion of the study and the recommendations. An overview of literature chapters was given and the research objectives were re-looked into. The results of the study were also revisited and summarised. This chapter gave the main findings of this research and explained how this research will be useful in the development of the SMME sector. The limitations of this study were highlighted, areas of further research were suggested and some recommendations for the development of the SMME sector were provided to the banks, government, government agencies, and institutions of higher learning.

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APPENDIX A: QUESTIONNAIRE



QUESTIONNAIRE

I am Tendai Chimucheka, a Master of Commerce student in the Department of Business Management at the University of Fort Hare. I am conducting an academic research which seeks to investigate the impact of entrepreneurship education on the performance of SMMEs in the Buffalo City Metropolitan Municipality. This research will be used for academic purposes only and please be assured that the responses from respondents will be kept confidential. If you need any assistance in answering the questions, please do not hesitate to ask. Your cooperation and participation in this research and answering questions honestly will be greatly appreciated.

Thank you in anticipation of your cooperation.

SECTION A: General Information *(Select an option by marking with an X in the correct box)*

1. Gender

| | | | |
|------|--------------------------|--------|--------------------------|
| Male | <input type="checkbox"/> | Female | <input type="checkbox"/> |
|------|--------------------------|--------|--------------------------|

2. Position in the business

| | | | | | | | |
|-------|--------------------------|---------|--------------------------|------|--------------------------|-----------------|----------------------|
| Owner | <input type="checkbox"/> | Manager | <input type="checkbox"/> | Both | <input type="checkbox"/> | Other (specify) | <input type="text"/> |
|-------|--------------------------|---------|--------------------------|------|--------------------------|-----------------|----------------------|

3. Age in years

| | | | | | | | |
|----------|--------------------------|-------|--------------------------|-------|--------------------------|----------|--------------------------|
| Below 25 | <input type="checkbox"/> | 25-30 | <input type="checkbox"/> | 31-40 | <input type="checkbox"/> | Above 40 | <input type="checkbox"/> |
|----------|--------------------------|-------|--------------------------|-------|--------------------------|----------|--------------------------|

4. Years in Business

| | | | | | |
|-----|--------------------------|-----|--------------------------|-------------|--------------------------|
| 0-3 | <input type="checkbox"/> | 4-8 | <input type="checkbox"/> | More than 8 | <input type="checkbox"/> |
|-----|--------------------------|-----|--------------------------|-------------|--------------------------|

5. Number of employees

| | | | | | |
|-------------|--------------------------|------|--------------------------|-----------|--------------------------|
| less than 5 | <input type="checkbox"/> | 6-50 | <input type="checkbox"/> | 51 to 200 | <input type="checkbox"/> |
|-------------|--------------------------|------|--------------------------|-----------|--------------------------|

6. Industry or sector of the business

| | | | | | |
|--------|--------------|-----------|---------------|---------|-----------------|
| Retail | Construction | Wholesale | Manufacturing | Service | Other (specify) |
| | | | | | |

7. Indicate your highest educational qualification

| | | | |
|--------------------------|--|----------------|--|
| Masters degree and above | | High school | |
| Bachelors degree | | Primary school | |
| Diploma | | Non-formal | |
| Certificate | | | |

8. Have you ever received entrepreneurship education?

| | | | |
|-----|--|----|--|
| Yes | | No | |
|-----|--|----|--|

8.1. If Yes, who offered entrepreneurship education (Specify the organisation)

.....

8.2. Indicate year in which you started receiving entrepreneurship education

| | | | | | | | |
|-------------|--|-----------|--|-----------|--|------------|--|
| Before 1990 | | 1990-1995 | | 1996-2000 | | After 2000 | |
|-------------|--|-----------|--|-----------|--|------------|--|

SECTION B: Entrepreneurship Education and Performance of SMMEs

9. To what extent do you think entrepreneurship education can affect the following in SMMEs. (1=strongly agree, 2=Agree, 3=Neutral , 4=Disagree, 5=strongly disagree)

| | 1 | 2 | 3 | 4 | 5 |
|----------------------|---|---|---|---|---|
| Sales growth | | | | | |
| Market share | | | | | |
| Employment growth | | | | | |
| Competitiveness | | | | | |
| Stock management | | | | | |
| Debtors management | | | | | |
| Cash management | | | | | |
| Creditors management | | | | | |
| Success and survival | | | | | |
| Size of business | | | | | |

10. In your opinion, would you say that entrepreneurship education improved the performance of your business?

| | | | |
|-----|--|----|--|
| Yes | | No | |
|-----|--|----|--|

Explain why.....

SECTION C: Improving entrepreneurship skills and performance of SMMEs

11. Indicate the extent you think entrepreneurship education can improve the following entrepreneurship skills (1=strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5= strongly disagree)

| | 1 | 2 | 3 | 4 | 5 |
|---------------------------|---|---|---|---|---|
| Market awareness | | | | | |
| Creativity and innovation | | | | | |
| Flexibility | | | | | |
| Risk taking | | | | | |
| Gathering of resources | | | | | |
| Problem solving | | | | | |
| Technical skills | | | | | |
| Personal skills | | | | | |
| Business skills | | | | | |

12. Entrepreneurship education is very important for the successful establishment of SMMEs

| | | | |
|-----|--|----|--|
| Yes | | No | |
|-----|--|----|--|

13. Do you agree that people who start businesses should have entrepreneurship knowledge and skills

| | | | |
|-----|--|----|--|
| Yes | | No | |
|-----|--|----|--|

14. Lack of entrepreneurship education in owners and managers is the main cause of failure of

| | | | |
|-----|--|----|--|
| Yes | | No | |
|-----|--|----|--|

 SMMEs

14.1 If NO please indicate what you think is the main cause of failure

SECTION D: Entrepreneurship education and Profitability of SMMEs

15. To what extent do you think entrepreneurship education can affect the following in SMMEs. (1=strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=strongly disagree)

| | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|---|---|---|---|---|
| Profitability | | | | | |
| Wealth maximisation of owners | | | | | |
| Financial growth of SMMEs | | | | | |

SECTION E: Entrepreneurship Education as a solution

16. Entrepreneurship education can ultimately help reduce the following challenges

| | Yes | No |
|------------------------|-----|----|
| Failure of SMMEs | | |
| High unemployment rate | | |
| Poverty | | |
| Low economic growth | | |

17. To what extent do you think the following organisations are helping to improve the performance of SMMEs (1=Not even trying, 2=Can improve, 3= better, 4=their best)

| | 1 | 2 | 3 | 4 |
|---------------------------------------------|---|---|---|---|
| Small Enterprise Development Agency (SEDA) | | | | |
| Eastern Cape Development Corporation (ECDC) | | | | |
| Khula Enterprise Finance (Khula) | | | | |
| The Government | | | | |
| Universities | | | | |
| Other private companies | | | | |

THANK YOU

APPENDIX B: DESCRIPTIVE STATISTICS AND HYPOTHESIS TESTING

Descriptive Statistics: Question 9 of the questionnaire

| | N | Minimum | Maximum | Mean | Std. Deviation |
|-----------------------------------------------|-----|---------|---------|-------------|----------------|
| Impact of EE on sales growth | 159 | 1 | 5 | 1.87 | .880 |
| Impact of EE on gaining a market share | 162 | 1 | 3 | 1.98 | .352 |
| Impact of EE on employment growth | 162 | 1 | 5 | 2.32 | .982 |
| Impact of EE on competitiveness | 162 | 1 | 3 | 1.48 | .689 |
| Impact of EE on stock management | 162 | 1 | 5 | 2.83 | .769 |
| Impact of EE on debtors management | 162 | 1 | 4 | 2.06 | 1.044 |
| Impact of EE on cash management | 162 | 1 | 5 | 1.57 | .964 |
| Impact of EE on creditors management | 162 | 1 | 4 | 1.65 | .595 |
| Impact of EE on success and survival of SMMEs | 162 | 1 | 4 | 1.34 | .670 |
| Impact of EE on size of business | 162 | 1 | 4 | 1.92 | .650 |
| Valid N (listwise) | 159 | | | | |

Descriptive Statistics: Question 11 of the questionnaire

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------------------------------------------------------------------|-----|---------|---------|-------------|----------------|
| The extent to which EE can improve market awareness of SMME operators | 162 | 1 | 5 | 1.54 | .864 |
| The extent to which EE can improve creativity and innovation of SMME operators | 162 | 1 | 4 | 1.94 | .519 |
| The extent to which EE can improve flexibility of SMME operators | 162 | 1 | 4 | 2.30 | .641 |
| The extent to which EE can improve risk taking of SMME operators | 162 | 1 | 3 | 2.00 | .111 |
| The extent to which EE can improve gathering of resources by SMME operators | 162 | 1 | 4 | 2.02 | .881 |
| The extent to which EE can improve problem solving of SMME operators | 162 | 1 | 4 | 1.95 | .588 |
| The extent to which EE can improve technical skills of SMME operators | 162 | 1 | 3 | 1.57 | .555 |
| The extent to which EE can improve personal skills of SMME operators | 161 | 1 | 4 | 1.71 | .730 |
| The extent to which EE can improve business skills of SMME operators | 162 | 1 | 4 | 1.95 | .629 |
| Valid N (listwise) | 161 | | | | |

Descriptive Statistics: Question 15 of the questionnaire

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------------------------------------------------|-----|---------|---------|-------------|----------------|
| The extent to which EE affects profitability | 162 | 1 | 3 | 1.40 | .635 |
| The extent to which EE affects wealth maximisation of owners | 162 | 1 | 3 | 1.33 | .588 |
| The extent to which EE affects financial growth of SMMEs | 162 | 1 | 5 | 1.28 | .830 |
| Valid N (listwise) | 162 | | | | |

Descriptive Statistics: Question 17 of the questionnaire

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---------------------------------------------------------------------------------------------|-----|---------|---------|-------------|----------------|
| The extent to which SEDA is helping to improve the performance of SMMEs | 162 | 2 | 4 | 2.46 | .697 |
| The extent to which ECDC is helping to improve the performance of SMMEs | 162 | 2 | 4 | 3.45 | .756 |
| The extent to which Khula is helping to improve the performance of SMMEs | 162 | 2 | 3 | 2.37 | .484 |
| The extent to which the government is helping to improve the performance of SMMEs | 162 | 2 | 4 | 2.91 | .443 |
| The extent to which universities are helping to improve the performance of SMMEs | 162 | 2 | 4 | 2.75 | .734 |
| The extent to which other private companies are helping to improve the performance of SMMEs | 162 | 1 | 3 | 2.19 | .642 |
| Valid N (listwise) | 162 | | | | |